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REPORT

OF

THE AGENT GENERAL FOR REPARATION PAYMENTS

MAY 30, 1925

REPORT

OF

THE AGENT GENERAL FOR REPARATION PAYMENTS

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REPORT

OF THE AGENT GENERAL FOR REPARATION PAYMENTS.

Berlin, May 30, 1925.

To: The Reparation Commission.

Sirs,

I have the honour to present herewith a Report, as Agent General for Reparation Payments, covering the first eight months of operations under the Plan of the First Committee of Experts. The several Commissioners and Trustees are presenting reports at the same time upon the work in their respective fields.

The First Committee of Experts was appointed to "consider the means of balancing the budget and the measures to be taken to stabilise the currency" of Germany. At the same time it necessarily considered the problem of reparation payments, and recommended a Plan for the organisation of these payments within Germany and their transfer to the creditor countries. The Committee presented its Plan on April 9, 1924. The Allied and German Governments adopted it by the Agreement executed at London on August 30, 1924. On September 1, 1924, actual operations began. Enough time has now elapsed to warrant a review of the results thus far attained, not only in respect to the payment of reparations, but also in the direction of balancing the German budget and stabilising the German currency.

It is too early to draw conclusions regarding the ultimate effects of the Plan. Broadly it is an endeavour to stimulate confidence among peoples and to apply principles of reason and justice to a difficult, vital problem. The success of the Plan will be measured not alone in terms of payments effected. It will be determined also by the extent to which it helps to replace distrust and discord with confidence and conciliation. Its early operation has fulfilled expectations, and this report is written in the belief that information regarding what has been done will assist, both in the creditor countries and in Germany, toward confirming those forces which are working for reconstruction.

The first year of the Plan's operation naturally divides itself into two parts, the first extending from September 1, to about October 31, 1924, representing what may be called the transition period; and the second beginning about November 1, 1924, when the permanent organisations under the Plan had all taken shape and begun to function. The present Report covers both the transition period and the first six months of the work of the permanent organisations, up to about April 30, 1925.

I. THE TRANSITION PERIOD.

In the transition period much groundwork was laid, and this at a time when current operations had to be carried on, in the interests both of Germany and of the creditor Governments. It is important at the outset, therefore, to review the history of that period, particularly in its relation to the development of the Plan as a whole.

The London Agreement provided that the Experts' Plan should be considered as having been put into execution when the Reparation Commission was in a position to make certain announcements. These were first that Germany on her part (a) had voted and promulgated the necessary laws for the working of the Plan, (b) had installed all executive and controlling bodies provided for therein, (c) had definitely constituted the new bank and the new German railway company, and (d) had deposited with the respective Trustees certificates representing the railway bonds and the industrial debentures. Secondly, it was necessary to find that contracts had been concluded assuring the subscription of an international loan for the effective equivalent of 800,000,000 gold marks. And finally the Commission had to be able to announce that the Allied Governments on their part had taken the necessary steps in accordance with the London Agreement to restore the fiscal and economic unity of Germany.

In their report, the Experts had declared that they were « unable to find any practical means of ensuring permanent stability in budget and currency » so long as Germany was subject to « limitations as to her fiscal and economic rights over part of her area ». They assumed, therefore, that the "fiscal and economic unity of the Reich" would be restored and stated that their report was "based on this hypothesis". To meet these conditions, the Allied Governments agreed at the London Conference to take the following measures: (1) the return to the German Government of the full economic and fiscal administrative control exercised in the occupied areas prior to January 11, 1923, subject only to the restrictions embodied in the Treaty, the Rhineland Agreement and the Experts' Plan; (2) the restoration to their owners of all mines, cokeries and other industrial, agricultural, forest and shipping undertakings exploited under Allied management or provisionally leased by the occupying authorities since January 11, 1923; (3) the withdrawal of special organisations established to exploit the pledges in the occupied region, and the release of requisitions made for the working of those organisations; (4) the removal, subject to the provisions of the Rhineland Agreement, of restrictions on the movement of persons, goods and vehicles; and (5) the adjustment of ordinances adopted by the Interallied Rhineland High Commission since January 11, 1923. In order still further to facilitate the operation of the Plan, the French and Belgian Governments declared under

date of August 16, 1924, that if Germany loyally carried out her obligations under the London Agreement they would proceed to the evacuation of the Ruhr district within the maximum period of one year from that date.

On August 30, 1924, the German Reichstag voted the laws covering the organisation and creation of the new bank, the new currency, the new railway company, and the industrial debentures, and recognising the supervision of the controlled revenues. These laws were promulgated on the same day by the German Government, which at the time fixed September 1 as the date of the coming into force of engagements under the London Agreement.

On September 1, 1924, the Reparation Commission took a decision recognising that the laws necessary for the working of the Plan had been voted and promulgated. On the same day Mr. Owen D. Young, one of the American members of the First Committee of Experts, who had been appointed Agent General for Reparation Payments *ad interim*, assumed his duties and opened a temporary office in Berlin.

The Agent General *ad interim* opened an account with the Reichsbank and received into it on September 1, 1924, the initial payment made by the German Government in the paper mark equivalent of 20,000,000 gold marks. Under the terms of the London Agreement the German Government was obliged to make payments to the Agent General every ten days until the Plan was declared operative, in such amounts as would, with the receipts of France and Belgium in the Occupied Territory, the payments under the Reparation Recovery Acts, and the paper marks advanced to the Armies of Occupation, aggregate each month one-twelfth of the first year's Annuity. These payments the Government continued to make regularly in the required amounts during the balance of the transition period and until the proceeds of the Loan had become available, giving its guaranty, in common with the Reichsbank, that the paper marks thus paid during the transition period, would be maintained at their gold value until used. These payments, as appears from the statement of Receipts and Payments under the Annuity (hereto annexed as Exhibit IV), were subsequently reimbursed to the German Government from the proceeds of the Loan.

The Agent General *ad interim* on his part, in order that reparation payments and deliveries might not be interrupted, undertook to provide out of the amounts thus received from Germany or for its account the current financing of deliveries in kind and the working expenses of German mines and cokeries then under Allied management.

For the purpose of effecting the required disbursements and of receiving the payments in marks from Germany, and in foreign currencies from France and Belgium for the account of Germany, the Agent General *ad interim* organised a small tentative staff, recruited principally from the available members of the Experts' organisation and from the personnel of the Reparation Commission. Associated with Mr. Young in this work were Mr. Henry M. Robinson, who had been a member of the Second Committee of Experts; Mr. Rufus C. Dawes, who had assisted in the work of the First Committee of Experts, and who was placed in charge of the Berlin office during the transition period; Mr. Pierre Jay, Chairman of the Federal Reserve Bank of New York; and Mr. George P. Auld, formerly Accountant General of the Reparation Commission.

Simultaneously steps were taken to complete the administrative organisation contemplated by the Experts' Plan, and to place it on a permanent basis. This called for the appointment of the following officers:

1. The Agent General for Reparation Payments.
2. A Commissioner of the Reichsbank.
3. A Commissioner for the German Railways.
4. A Commissioner of Controlled Revenues.
5. A Trustee for the German Railway Bonds.
6. A Trustee for the German Industrial Debentures.

In addition, the Plan provided for a Transfer Committee under the chairmanship of the Agent General. This Committee was charged with supervision over the use and withdrawal of the moneys received from Germany, and with the control of transfers and the regulation of the execution of the programmes for deliveries in kind in such a manner as to prevent difficulties arising with respect to the foreign exchange. Provision was also made for the appointment of foreign members on the General Council of the Reichsbank and the General Boards of the German Railway Company and the Bank for German Industrial Debentures.

All these officials were duly appointed during September and October 1924, and entered upon their duties. The three Commissioners and the two Trustees, under the chairmanship of the Agent General for Reparation Payments, were constituted under the Plan as a General Co-ordinating Board, and held their first meeting for purposes of organisation in Paris on September 19, 1924. The Transfer Committee held its first meeting in Berlin on October 31, 1924, on the same day with the first meeting of the General Council of the Reichsbank.

The reconstitution of the Reichsbank, under the new Bank Law, had in the meantime become effective, on October 11, 1924.

The new German Railway Company had also become legally constituted, in accordance with the law of August 30, 1924. The actual transfer of operations from the German Government to the Company took place on October 11, though it was not until November 16, 1924, when the lines operated by the Franco-Belgian Régie were handed over, that the Company obtained the unified control of the entire German railway system. On October 1, 1924, the Railway Company executed its first mortgage bond for 11 milliards of gold marks, as contemplated by the Plan, and on October 10, 1924, delivered it to the Trustee for the German Railway Bonds.

The organisation of the charge on German industry had also been carried through its initial stages. On October 2, 1924, the Trustee for the German Industrial Debentures received the collective industrial bond in the amount of 5 milliards of gold marks, evidencing the industrial charge. The Bank for German Industrial Debentures had also been organised on September 30, 1924, and its Board of Directors held its first meeting in Berlin on October 31, 1924.

While these matters were being perfected, the negotiations for the international loan had been actively proceeding and had finally been concluded in London on October 10, 1924.

On October 13, 1924, the Reparation Commission was able to take its decision announcing that Germany on its part had fulfilled the conditions pre-requisite to the inception of the Plan. Shortly thereafter, on October 28, 1924, it took its further decision to the effect that the Allied Governments on their part had completed the restoration of the fiscal and economic unity of Germany within the meaning of the London Agreement. From this date the Experts' Plan may be considered as being in full force and effect.

The transition period thus came to an end, and on October 31, 1924, the permanent Agent General for Reparation Payments assumed office.

The principal officers of the permanent organisation for the execution of the Plan are as follows:

The Agent General for Reparation Payments: S. Parker GILBERT, American;
The Commissioner of the Reichsbank: G. W. J. BRUINS, Dutch;
The Commissioner for the German Railways: Gaston LEVERVE, French;
The Commissioner of Controlled Revenues: Sir Andrew McFADYEAN; British;
The Trustee for the German Railway Bonds: Leon DELACROIX, Belgian;
The Trustee for the German Industrial Debentures: Bernardino NOGARA, Italian.

The Transfer Committee consisting of the Agent General for Reparation Payments, as Chairman, *ex officio*, and the following:

Joseph E. STERRETT, American;
Jean PARMENTIER, French;
Henry BELL, British;
Pasquale JANNACCONE, Italian;
Albert E. JANSSEN, Belgian.

Sir Charles Addis acted temporarily as the British member pending the qualification of Mr. Bell.

A summary of the permanent organisation under the Plan is given in the table which is annexed hereto as Exhibit I. From the outset the offices have been organised and maintained on a business basis. Under the terms of the Finance Ministers' Agreement of January 14, 1925, a limited sum was allocated each year for the costs of the organisations set up under the Plan which are chargeable to the Annuity, not including, however, the costs of such arbitral bodies as may prove necessary. In order to make sure of keeping within these limits the various branches of the organisation have been placed on a strict budget basis, and the General Co-ordinating Board and the Transfer Committee have both appointed a budget officer to supervise their expenditure, and have both adopted standardised rules relative to salaries, travelling expenses, etc. The organisation has been held down at all times to the minimum consistent with the discharge of the responsibilities entrusted to its charge.

II. THE GERMAN EXTERNAL LOAN, 1924.

The most important single development of the transition period was the issue of the German External Loan, 1924. The Experts had stated in their Report that an integral part of their plan was the issue by Germany of a foreign loan, in an amount to yield the effective equivalent of 800,000,000 gold marks.

The Loan was to serve the two-fold purpose, "of assuring currency stability and financing essential deliveries in kind during the preliminary period of economic rehabilitation". It was intended in this way to avoid a complete suspension of payments by Germany to her creditors during the period of stabilisation. The Plan accordingly provided that the Loan was to be regarded as an anticipation of the Annuities payable by Germany and that the service of the Loan was to be a charge on the Annuities.

The London Agreement, as executed by the Allied and German Governments, recognised the necessity of the Loan and made provision for protecting its service and safe-guarding its security.

Negotiations for the Loan proceeded accordingly and resulted on October 10, 1924, in the execution of an agreement for the issue of the Loan in various *tranches* not later than November 10, 1924, in eight countries other than Germany. In addition, it was understood that there would be issued in Germany a further *tranche* in an amount sufficient, when added to the others, to yield the effective equivalent of 800 million gold marks, plus the expenses of issue, negotiation and delivery. The German Government on the same date executed a General Bond securing equally the bonds of all *tranches* of the Loan. On October 13, 1924, the Reparation Commission took appropriate decisions constituting the service of the loan a first charge on all payments provided for under the Plan to or for the account of the Agent General for Reparation Payments, a first charge by way of collateral security on the controlled revenues, and a first charge on any other assets or revenues of Germany to which the powers of the Commission extend under the Treaty of Versailles. The German Government in addition recognised the service of the Loan as a direct and unconditional obligation of the Reich, chargeable on all its assets and revenues.

All *tranches* of the Loan, other than the German *tranche*, were thereupon offered for subscription, and all were fully subscribed. In the meantime, the Transfer Committee, at its first meeting, on October 31, 1924, took appropriate action for ensuring the service of the Loan, recognising its priority and giving it an absolute right of remittance irrespective of the effect upon the exchange. The Agent General for Reparation Payments, the Commissioner for the German Railways, the Trustee for the German Railway Bonds, the Trustee for the German Industrial Debentures and the German Government took note of the action of the Reparation Commission and the Transfer Committee and gave assurance of their co-operation to the same end.

Subsequently the German *tranche* of the Loan was issued and fully subscribed in Germany, through the Reichsbank.

The following statement shows the amounts of the several *tranches* of the Loan, and the net proceeds realized, both in foreign currencies and in gold marks :

TRANCHE.	NOMINAL AMOUNT.	NET PROCEEDS. (1)	
		FOREIGN CURRENCY.	GOLD MARKS.
1. American	$ 110,000,000	$ 95,625,000	400,628,338.50
2. British	£ 12,000,000	£ 10,255,386.13.11	192,943,009.66
3. Belgian	£ 1,500,000	£ 1,295,625. 0. 0	24,375,656.83
4. Dutch	£ 2,500,000	£ 2,160,231. 4. 8	40,642,203.74
5. French	£ 3,000,000	£ 2,560,808. 3. 9	48,178,586.86
6. Italian	Lire 100,000,000	Lire 86,300,000	15,696,751.68
7. Swedish	S.Krs. 25,200,000	S.Krs. 21,751,060	24,250,106.64
8. Swiss (Sterling)	£ 2,360,000	£ 2,065,000	38,850,540.37
9. Swiss (Swiss francs)	S.Frs. 15,000,000	S.Frs. 11,855,468.70	9,521,735.95
10. German	£ 360,000	£ 315,000	5,926,353.62
			801,013,283.85
		Less expenses of issue, negotiation and delivery, since receipt of proceeds	19,628.10
		TOTAL	800,993,655.75

(1) The figures are subject to final adjustment, depending upon the expenses of issue, negotiation and delivery.

In accordance with the terms of the Loan, its proceeds in the respective foreign currencies realised, were all credited to the Reichsbank in an account in the name of the Reich and under the control of the Agent General for Reparation Payments. These foreign currencies were subsequently released to the Reichsbank, as contemplated by the Plan, the equivalent in reichsmarks being deposited with the Reichsbank to the credit of an account in the name of the Reich and under the control of the Agent General. By agreement with the German Government, the Agent General has the sole drawing power over this account. It was agreed further that the German Government would receive credit on account of the Annuity for the withdrawals from the Loan account made by the Agent General from time to time, at the gold mark equivalent of the reichsmarks withdrawn.

It is unnecessary here to recite in detail the terms of the Loan. They fully appear in the General Bond executed by the German Government, and in the terms of the bonds themselves. It is enough to state that the bonds mature October 15, 1949, unless previously redeemed, and carry interest at the rate of 7 per cent per annum, payable semi-annually on April 15 and October 15 in each year, with provision for a cumulative sinking fund sufficient to redeem all of the bonds by maturity.

The General Bond provides for monthly payments to the Trustees of the Loan on account of both interest and sinking fund, and these payments as already indicated constitute a first charge on the Annuity.

The General Bond securing the Loan designated three Trustees for the bondholders, who organised at their first meeting in Paris on October 21, 1924, under the

Chairmanship of the Agent General. The Trustees have designated the original issuing houses as paying agents for the service of the Loan, as follows :

American *tranche.*	—	J. P. Morgan & Co., New York.
British	—	Bank of England, London.
Belgian	—	La Société Nationale de Crédit à l'Industrie, Brussels.
Dutch	—	Hope and Co, Amsterdam. Nederlandsche Handel-Maatschappij, Amsterdam.
French	—	Lazard Frères & Cie, Paris.
Italian	—	Banca d'Italia, Rome.
Swedish	—	Stockholms Enskilda Bank, Stockholm.
Swiss	—	Crédit Suisse, Zurich.
German	—	Reichsbank, Berlin.

The service of the Loan has proceeded as contemplated by the General Bond, and the Agent General, acting for the Trustees, has regularly provided out of the Annuity the funds required for the purpose.

III. THE PAYMENT OF REPARATIONS.

The proceeds of the German External Loan were intended, as already stated, to provide for the financing of essential deliveries in kind during the initial period of operations under the Plan, so as to avoid a complete suspension during the preliminary stages of economic recovery. The Loan, in fact, provided four-fifths of the first Annuity, and thus simplified the problem of the first year. In subsequent years the burden of payment falls more heavily on the German economy, in the form of direct contributions from the German budget and the charges on the German railroads and industry. It is pertinent in this connection to observe the constitution of the Annuity during the successive years of the Plan, and at the same time to review some of the more important phases of the administration of the Annuity up to this time.

a. *The Constitution of the Annuity.*

The Experts' Plan contemplated that during the first year the Plan should not involve any burden upon the German budget. It provided accordingly that 800,000,000 gold marks out of the total of 1,000,000,000 gold marks should come from the proceeds of the International Loan. The balance of the first year's Annuity, amounting to 200,000,000 gold marks, comes from the German Railway Company, in the form of interest on the 11 milliards of reparation bonds of the Company.

The first 100,000,000 gold marks of interest on the railway bonds was due on March 1, 1925, and was paid to the Agent General on February 28, 1925. The second payment will be due on September 1, 1925 and under the terms of the bonds interest falls due semi-annually thereafter. Inasmuch as funds are needed currently for the financing of monthly programmes of deliveries and payments, the Agent General, in co-operation with the Commissioner for the German Railways and the Trustee for the German Railway Bonds, has recently concluded an arrangement with the Railway Company, subject to the approval of the Reparation Commission, under which advance payments of the September 1st interest will be made during August 1925, and monthly payments of interest will be made thereafter during the second and third years of the Plan, subject to a discount at the rate of six per cent per annum on all advance payments. This arrangement is without prejudice to the legal obligations of the Company under the terms of the bonds, and it will greatly facilitate the smooth working of the Plan.

The second year of the Plan involves for the first time a possible charge on the German budget, in the form of a payment of 250,000,000 gold marks which has to be made out of the budget if not met by the sale of preference shares of the Railway Company, or by the issue of an appropriate internal loan. There is also 250,000,000 gold marks to be paid from the yield of the transport tax. The rest of the second Annuity represents interest on the bonds of the Railway Company, to the amount of 595,000,000 gold marks, and the first payments of interest on the industrial debentures, amounting to 125,000,000 gold marks for the year.

In the third and succeeding years of the operation of the Plan there are other changes in the constitution of the Annuity, leading up gradually to the aggregate charge, in a standard year, of 2,500,000,000 gold marks, of which 1,250,000,000 will fall on the German budget.

These charges, and the composition of the Annuity for the successive years of the Plan, are shown in graphic form in the statement which is annexed hereto as Exhibit II.

b. *The All-Inclusive Character of the Annuity.*

Section XI of Part I of the Experts' Plan provides that the Annuity which Germany is to pay includes "all amounts for which Germany may be liable to the Allied and Associated Powers for the costs arising out of the war, including reparation, restitution, all costs of all armies of occupation, clearing house operations to the extent of those balances which the Reparation Commission decides must legitimately remain a definitive charge on the German Government, commissions of control and supervision, etc.". It goes on to provide that wherever the Plan or its Annexes refers to "Treaty payments, reparation, amounts payable to the Allies, etc." it uses these terms "to include all charges payable by Germany to the Allied and Associated Powers for these war costs" and also to include various special payments under the Treaty of Versailles.

This section is one of the most significant in the Plan. As the Experts themselves stated, the object was to fix definitely the annual charge upon Germany and to put

an end to a system under which demands could be "made upon her from time to time during the year, which cannot be calculated beforehand". The Report went on to state: "It appears to us a matter of impossibility for any budget to be scientifically compiled and satisfactorily balanced under such an arrangement..... and that the difficulty will be satisfactorily met if Germany's liabilities for any particular year are absolutely limited..... and made inclusive of all possible charges whether in or outside Germany, including the costs of the administrative controls which are set up by our Plan".

It will be recalled that there is also an express provision to the effect that the payment of the requisite sum in gold marks to the Agent General constitutes « the definitive act of the German Government in meeting its financial obligations under the Plan ». The result has been to encourage both sides to arrive at definite settlements in respect to the various charges payable out of the Annuity. It has become necessary, in accordance with ordinary business principles, to drop the old practice of carrying provisional items for long periods without a definite settlement, and instead to come to final figures as promptly as possible. It has thus been possible to establish a business-like administration of the reparation payments and to systematise their distribution among the creditor Powers.

c. *The Distribution of the Payments.*

The Agent General's payments during the first eight months of operations under the Plan have aggregated over 620 millions of gold marks. The amounts of these payments and the nature and extent of their distribution appear in greater detail in the statement of receipts and payments for the eight months ended April 30, 1925, which is annexed hereto as Exhibit IV. This statement shows not only the distribution of the payments among the various creditor Powers, but also the course of the payments through the several months and the principal objects of expenditure.

As a result of the Allied Finance Ministers' Agreement of January 14, 1925, the existing basis of the distribution of the Annuity may be summarised as follows:

Preferred Claims. — (Estimated as amounting to approximately 28 per cent of the first year's Annuity) :

a) The Service of the German External Loan 1924; (*b*) The expenses of administration of the Reparation Commission, the organisations created under the Plan, the Inter-Allied Rhineland High Commission and the Military Commission of Control; (*c*) Army costs in arrears; and (*d*) Current army costs.

Non-Preferred Claims. — (Estimated as amounting to approximately 72 per cent of the first year's Annuity). The Spa percentages are maintained in the distribution of the sum available for non-preferred claims after applying 5 per cent of this sum in reimbursement of claims on account of the Belgian war debt, 1 per cent thereof in satisfaction of claims for restitution and 2-1/4 per cent of the balance

thereof to the claims of the United States of America. The residuum is divided as follows :

France	52.00 per cent
British Empire	22.00 —
Italy	10.00 —
Belgium	8.00 —
Serb-Croat-Slovene State	5.00 —
Roumania	1.10 —
Japan	0.75 —
Portugal	0.75 —
Greece	0.40 —
	100.00 —

An estimate of the approximate distribution of the first year's annuity is annexed hereto as Exhibit III.

The payments for the first year thus far made, with the exception of the payments for the service of the German External Loan, have been made almost entirely within Germany.

The largest item in the payments up to this time, amounting to over 277 millions of gold marks, has been for deliveries in kind, chiefly for coal, coke and lignite, and for transportation charges thereon. Deliveries in kind have been made mainly to France, Italy and Belgium. The next largest item, amounting to about 149 millions of gold marks, has been for payments on account of the various Armies of Occupation in the Rhineland and the Ruhr, including furnishings and reichsmarks requisitioned. The payments to Great Britain have been almost wholly through the operation of the British Reparation Recovery Act. In summary form, the payments for account of the principal creditor Powers during the eight months have been as follows :

	FRANCE.	GREAT BRITAIN.	ITALY.	BELGIUM.
	(In millions of gold marks.)			
Deliveries of coal, coke and lignite, etc..	89.8	–	26.1	30.1
Other deliveries in kind	22.0	4.5	9.2	10.3
Transport of deliveries in kind	35.6	–	9.3	8.2
Reparation Recovery Acts	12.2	120.4	–	–
Reichsmark payments to Armies of Occupation (1)	21.1	9.7	–	2.0
Furnishings etc., under Rhineland Agreement (1)	60.2	14.1	–	9.9
Furnishings in the Ruhr (1)	26.8	–	–	5.4
TOTAL	267.7	148.7	44.6	65.9

(1) The figures are provisional.

Other creditor countries, including the Serb-Croat-Slovene State, Roumania, Japan, Portugal and Greece, have received deliveries in kind to the value of 33.3 million gold marks in the eight months.

Arranged according to the several objects of expenditure, the payments were as follows:

		IN GOLD MARKS.
Deliveries in Kind:		
Coal, coke, by-products, etc.....	146,094,320.80	
Transport (substantially all within Germany) of coal, coke and by-products.....	53,091,833.13	
Chemical fertilisers.....	13,742,606.15	
Dyestuffs and pharmaceutical products.....	24,848,357.90	
Miscellaneous goods.....	40,030,116.67	277,807,234.65
Restoration of Library of Louvain.....		696,424.77
Reparation Recovery Acts.....		132,530,060.28
Occupation Costs:		
Armies of Occupation.....	32,813,226.62	
Requisitions, damages and furnishings in the Rhineland.....	84,204,989.67	
Furnishings in the Ruhr.....	32,166,666.66	149,184,882.95
Service of German External Loan 1924.....		41,576,661.60
Administrative and Control Costs:		
Reparation Commission.....	4,262,379.00	
Rhineland High Commission.....	5,525,010.33	
Military Commission of Control....	7,000,000.00	
Naval Commission of Control.....	70,000.00	
Office for Reparation Payments.....	2,036,765.84	18,894,155.17
		620,689,419.42

Deliveries in kind, as will be noted, have consisted largely of coal, coke and lignite, with their by-products, and of chemical fertilizers and dyestuffs. There has been, however, particularly in recent months, an increasing tendency toward contracts covering a greater variety of goods and including more of a capital nature.

In the past few months about 130 contracts have been executed. Some of the

larger and more interesting provide France with 100,000 telegraph poles costing approximately 1,652,000 gold marks, the completion of two ships at a cost of 14,500,000 gold marks, and 4,000 railway trucks costing 23,615,000 gold marks. A contract has also been executed recently between a German firm and the French Ministry of Public works for important dredging in the river Seine. This appears to be the first instance under the Plan of a reparation contract for work to be done by German labour in France.

The contracts for Belgium include the installation of a floating dock at Boma in the Belgian Congo costing some 760,000 gold marks, and railway material for the Belgian Congo, costing approximately 1,920,000 gold marks. Another contract provides for 25 barges of 1,350 tons each, at a total cost of 2,620,000 gold marks.

Among other things there is a wireless transmission station for Italy, which was under contract on September 1, 1924; it is estimated that the remaining cost to be paid out of the Annuity will amount to about 2 million gold marks. Roumania has contracted for railway engines and other railway material costing 16,500,000 gold marks, while Greece is being provided with 185 wooden huts costing 4,300,000 gold marks for use in lodging refugees from Asia Minor and Thrace.

d. *Monthly Programmes of Deliveries and Payments.*

There was nothing in the Plan or in the London Agreement which made monthly programmes compulsory, but considering the desirability of having an even flow of deliveries and payments from the standpoints both of Germany and the Allies, a system of monthly programmes has been adopted. It was necessary to proceed on this basis during the period prior to the receipt of the proceeds of the German External Loan, and it has been the aim to keep the maximum of each monthly programme within the figure of 83 1/3 million gold marks that represented one-twelfth of the first year's Annuity. Difficulties were encountered in the earlier months because programmes on a larger scale had been in vogue, and it was not easy to undertake an immediate and drastic reduction. The difficulties were the greater because reparation accounting had become highly complex and had many unsettled valuations and provisional items. None of the Powers, moreover, was in a position to state exactly what it was entitled to receive or what reductions it could make until the Finance Ministers' Conference took its decisions in January 1925. Largely on this account the programmes prior to the Finance Ministers' Conference were somewhat in excess of the monthly allowance, despite the fact that almost the first act of the Agent General *ad interim* was to request and secure on September 8, 1924, a 10 per cent reduction in the coal programme. Since the fixation of the proper quotas of the Powers the overdrafts of the previous months are being gradually balanced by the adoption of smaller programmes during the remainder of the first year.

e. *Settlement of Provisional Items.*

Though there are still some items of uncertainty much progress has been made in arriving at settlements of matters that temporarily had to be treated on a provi-

sional basis, and there is good reason for hoping that before long practically all of these items will have been adjusted.

Among these unsettled items was, first, the question of the valuation of services rendered and furnishings supplied by the Germans to the armies of occupation in the Rhineland. At the same time that the Agent General *ad interim* requested a reduction of the coal programme, he requested the appointment of a committee to arbitrate and fix the proper sums to be paid for furnishings and services in the Rhineland territory. A temporary committee was formed and a provisional figure of 13,000,000 gold marks a month was reached for the months of September and October, 1924. Subsequently a joint committee empowered to make an adjustment of the whole subject was appointed by the Conference of Ambassadors. This committee has now rendered its report, under date of May 5, 1925, and it is hoped that the regulations it has recommended will not only furnish a guide for determining these charges in the future, but will also provide a basis for a definite settlement covering the months already elapsed in the first Annuity year. A second item has been the valuation of services rendered and furnishings supplied to the armies in the Ruhr. This presented similar questions to those arising with respect to the Rhineland, and it is believed that the findings of the committee on valuation for the Rhineland will be helpful in establishing the figures for the Ruhr.

The Agent General has urged the early settlement of these problems in the interest of all concerned, and understands that just as this report is being completed an agreement for a lump sum settlement has been reached between Germany on the one hand and France and Belgium on the other for the period from September 1, 1924, to March 31, 1925, covering not only services and furnishings in the Ruhr but also services and furnishings in the Rhineland. This will remove many provisional items from the accounts, and greatly facilitate the administration of the first year's annuity.

A third factor of uncertainty has arisen from the fact that under the Treaty of Versailles the Allies are entitled, in fixing the price of reparation coal, to a choice between the pithead price of British coal for export and the German pithead price of coal to German nationals, whichever is the lower. Subject to whatever adjustment this may necessitate, the arrangements for the purchase of reparation coal have been placed on a definitive basis. This adjustment, moreover, depends on a relatively simple question of fact, susceptible of determination without much delay or difficulty. For the period of the first Annuity year thus far elapsed the British pithead price for export coal is apparently proving to be the lower, and in consequence an adjustment of the amounts thus far paid for coal will probably result in a credit to the Allies.

IV. THE TRANSFER COMMITTEE.

The transfer of German reparation payments under the Plan is in charge of the Transfer Committee.

The Experts stated in their Report that « there has been a tendency in the past to confuse two distinct though related questions, i. e. first, the amount of revenue which Germany can raise available for reparation account and second, the amount

which can be transferred to foreign countries". This distinction is fundamental to the Plan. The first question is covered by the provisions for the payment of the stipulated Annuities to the credit of the Agent General for Reparation Payments at the Reichsbank. These payments are to be made in German currency, and their payment constitutes "the definitive act of the German Government in meeting its financial obligations under the Plan".

There remains the second phase of the problem, as to how much can be transferred abroad without creating difficulties with the foreign exchange. In this connection the Experts recognised in their Report that "the funds raised and transferred to the Allies on reparation account cannot, in the long run, exceed the sums which the balance of payments makes it possible to transfer, without currency and budget instability ensuing... A country's 'economic balance' defies exact calculation. The balance, even at a given moment can only be estimated approximately, for the invisible exports and imports which constitute an important part of it cannot be known exactly. And a potential economic balance is much more uncertain. It depends not on the decision of a single authority, but on the enterprise of individual merchants and manufacturers..... But the limits set by the economic balance, if impossible of exact determination, are real. For the stability of a country's currency to be permanently maintained, not only must her budget be balanced, but her earnings from abroad must be equal to the payments she must make abroad, including not only payments for the goods she imports, but for the sums paid in reparation. Nor can the balance of the budget itself be permanently maintained except on the same conditions".

After discussing at some length this phase of the subject the Experts concluded "we are convinced that some kind of coordinated policy with continuous expert administration in regard to the exchange, lies at the root of the reparation problem and is essential to any practicable scheme in obtaining the maximum sums from Germany for the benefit of the Allies".

The Plan accordingly provides for a Transfer Committee, consisting of the Agent General for Reparation Payments and five other members, and gives it control over "the use and withdrawal" of the moneys deposited by the German Government to the Agent General's account. It states that "This Committee will regulate the execution of the programme for deliveries in kind and payments under the Reparation Recovery Act in such a manner as to prevent difficulties arising with the foreign exchange. They will also control the transfer of cash to the Allies by purchase of foreign exchange and generally so act as to secure the maximum transfers without bringing about instability of currency".

The Plan goes on to provide that "the German Government and the Bank shall undertake to facilitate in every reasonable way within their power the work of the Committee in making transfers of funds, including such steps as will aid in the control of foreign exchange". The Committee is also authorised to inform the President of the Reichsbank if, in the opinion of the Committee, the Bank's discount rate is not in relation to the necessity of making important transfers. The Committee is further given broad powers to defeat any concerted financial manœuvres that may be made for the purpose of preventing transfers.

Specifically, on the question of the Committee's powers with respect to deliveries and payments, the Plan provides that the Committee shall have power, and it shall be its duty, *first*, to apply the bank balances to the Agent General's credit "for payments for deliveries in kind and payments under the Reparation Recovery Act, in accordance with the programme established periodically by the Reparation Commission, after consultation with the Transfer Committee as to the character and amount of such deliveries", and *second*, "to convert these bank balances into foreign currencies from time to time and, after conversion, to remit them in accordance with the instructions of the Reparation Commission". The Plan goes on to provide that both of these powers are "to be exercised to the extent to which, in the judgment of the Committee, the foreign exchange market will permit, without threatening the stability of the German currency".

These references are sufficient to indicate the nature and extent of the responsibilities of the Transfer Committee.

During the early months of the operation of the Plan the Transfer Committee has had relatively little to do with transfers, in the sense of purchases of foreign currencies. It has been actively concerned, however, with the arrangements for deliveries in kind and for payments under the Reparation Recovery Acts. At the same time it has been engaged in preparing the groundwork for the discharge of its duties in the future. To this end, it has organised a capable Economic Service.

a. *Transfers into Foreign Currencies.*

It is the contemplation of the Plan that during the first two Annuity years the great bulk of the payments out of the Annuity should be made within Germany, — particularly during the first year, when the funds available for distribution represent principally the proceeds of the German External Loan, 1924. This, of course, has had to be subject to one outstanding exception, that is to say, for the service of the Loan itself. At its first meeting, the Transfer Committee recognised the priority given to the service of the Loan, and undertook to authorise the acquisition of the foreign currencies necessary for the purpose without regard to the effect on the foreign exchange market. The purchases of foreign exchange needed for this purpose have been accomplished each month without difficulty through the Reichsbank. The foreign currencies required in any year for the service of the Loan should not, on the basis of existing exchange rates, amount to more than the equivalent of about 93 million gold marks.

Certain expenses of administration have also had to be paid in foreign currencies, but only in limited amounts. Aside from these exceptions it has been the consistent policy of the Agent General and the Transfer Committee to require that payments should be made in Reichsmarks and within Germany. This in fact follows naturally from the provisions of the Plan to the effect that "in the interest of currency stability and to aid the successful inauguration of the new bank, the proceeds of the Loan should be used exclusively for financing internal payments". In pursuance of this policy, the Transfer Committee at one of its early meetings, decided to refuse authority for the payment of transportation costs outside of Germany which were

payable in foreign currencies, on the ground that this was not in accordance with the intent of the Plan. Some exceptions to this decision have been made following the receipt of the first payment of 100 million gold marks by the German Railway Company, but these relate chiefly to the transport of coal on the Lower Rhine and have not affected the general policy.

b. *Deliveries in Kind.*

The Transfer Committee has been largely concerned up to this time with the arrangements for deliveries in kind. Its functions in this respect are two-fold, *first*, to be consulted by the Reparation Commission in the formulation of programmes of deliveries in kind, particularly as to the character and amount of such deliveries; and, *second*, after the programmes have been approved by the Commission, to regulate their execution in such a manner as to prevent difficulties arising with the foreign exchange.

The Transfer Committee has functioned on this basis in dealing with the programmes for deliveries in kind over the first eight months. At the same time it has had to consider the procedure to be applied to future deliveries. In accordance with the provisions of the London Agreement a special committee of Allied and German representatives, with a neutral chairman, was appointed to organise the procedure for deliveries in kind, on a basis that would conform as closely as possible to commercial usage. This Committee succeeded in reaching an agreement, and under date of March 9, 1925, presented a unanimous report to the Reparation Commission covering the whole field of deliveries. The regulations establish a procedure, with detailed provisions, governing contracts between Allied buyers and German producers on reparation account, and both Allied and German representatives appear to agree that the result will be a practical and effective system of deliveries. According to their terms the regulations are liable to be revised every two years, the first revision to take place in April, 1927. This will give an opportunity to make such modifications from time to time as may prove to be necessary in the light of practical experience.

The Transfer Committee, on its part, was particulary concerned with the provisions for handling payments under the contracts. To this end it made various suggestions looking toward the simplification of the regulations, believing that it was desirable to encourage the greatest freedom of contract between the parties and to facilitate as much as possible the arrangements for deliveries in kind.

The regulations proposed by the Special Committee were approved by the Reparation Commission with some amendments, so as to be effective on May 1, 1925, and are now in force.

c. *The Reparation Recovery Acts.*

The Experts provided in their Report that wherever they referred to payments for deliveries in kind they "intended to include therein payments in Germany arising through the operation of the Reparation Recovery Acts". One of the first problems

of the Transfer Committee, therefore, was to bring the administration of the Reparation Recovery Acts into harmony with the rest of the Plan and to put the payments under the Recovery Acts under the same effective control that it was exercising over deliveries in kind.

The Reparation Recovery Act was first introduced by Great Britain in March, 1921, in the form of a law which put a levy on imports into Great Britain from Germany. The law authorised the levy of a tax at a rate not to exceed 50 per cent. This rate was actually put in force at the outset, but it was subsequently reduced, on May 17, 1921, to 26 per cent, and again on February 25, 1924, to 5 per cent. This last reduction was due to the inability of the German Government to make effective reimbursement to its exporters of the amounts collected, but as soon as it became apparent that the Plan would come into operation the old rate of 26 per cent was restored on August 29, 1924. The levy, in fact, depended for its effective operation on reimbursement to the German exporter, in Germany, in the equivalent of the amount withdrawn in England, for otherwise the rate tended to become prohibitive and to shut off trade completely.

Shortly after the British Act was passed, to be exact, in April 1921, the French Government enacted a similar Reparation Recovery Act, but the decree making it operative was not issued until September 18, 1924, and it did not go into actual operation until October 1, 1924. Under the French decree the levy also involved a tax of 26 per cent on imports from Germany, and was administered in substantially the same way as the British Act.

The Plan accepted the view that the Reparation Recovery Act payments were to be treated the same as deliveries in kind, and it assimilated them to the same procedure, including the provisions for the formulation of programmes after consultation with the Transfer Committee and the jurisdiction of the Transfer Committee to suspend payments at any time in order to prevent difficulties arising with the foreign exchange. It provided, furthermore, in the all-inclusive paragraph, that the Annuity included all payments "for the costs arising out of the war", thus leaving the Agent General rather than the German Government to make the reimbursement to the German exporter. The Plan, therefore clearly enough recognised the jurisdiction of the Transfer Committee, but there remained the practical difficulty of making its control effective. The existing methods of collection meant, in effect, that the Governments imposing the levy confronted the Transfer Committee with an accomplished fact, or, in other words, that by direct action of their own, and without consultation with the Committee, these Governments were taking the tax each month out of German exports, leaving the Agent General with a resulting obligation to reimburse the German exporter out of the Annuity with the equivalent sum in Reichsmarks. This tended to make extremely difficult the control of the Transfer Committee over this particular portion of the reparation payments. It also created difficulties with the distribution of the Annuity among the Powers, for there was no inherent relation between the Recovery Act levy and the shares to which the respective Governments were entitled. The British Recovery Act, for example, was yielding somewhat more each month than the proper monthly share of the British Government in the Annuity.

The question of the Recovery Acts accordingly engaged the attention of the Transfer Committee at its first meeting, on October 31, 1924. It was clear that the Committee's jurisdiction could best be enforced through its control over the reimbursements to the German exporter. The Agent General for Reparation Payments, on November 14, 1924, took the first step to make this practically effective by sending a formal notification to the Finance Minister of the Reich that on and after December 1, 1924, he would repay the German Government for the reimbursements which it made to German exporters under the Recovery Acts only if and to the extent that the Transfer Committee authorised him to do so. For the time being the Transfer Committee gave this authorisation, and on this basis the Agent General proceeded to reimburse to the German Government what it had paid out to the exporters.

At the same time, however, negotiations were begun in an effort to find a more satisfactory method of handling the matter, and particularly one that would give the Transfer Committee more effective control over the payments. It was also desired, if possible, to find a method of collection that would be less burdensome to trade. The system in force meant that every invoice covering a shipment from Germany had to be handled in two sections, 74 per cent being paid to the German exporter in the regular way and 26 per cent being paid to the British or French Government, as the case might be, against a voucher or receipt which the German exporter used in collecting his reimbursement in Germany. The result was great inconvenience to both exporters and importers, and a heavy burden to trade. This was particularly true as between Great Britain and Germany, where the volume of trade was much larger than between France and Germany.

The first negotiations, therefore, related to the British Reparation Recovery Act, and were actively begun in December 1924, between the British and the German Governments and the Agent General. A suggestion which at first seemed practicable, developed during the negotiations which were being conducted at that time for the commercial treaty between Great Britain and Germany. It was to the effect that the sum which the British Government might be entitled to receive each month on account of the Reparation Recovery Act might be calculated on a lump-sum basis from the reported figures of exports from Germany to Great Britain and be carried as a credit in Reichsmarks on the books of the Agent General. This credit, it was suggested, could be made available to the British Government, subject to the control of the Transfer Committee, through the sale of Reichsmark drafts in London, the use of which would be restricted to paying for German goods imported into England. It soon became apparent, however, that this would not work well in practice, because the German exporters themselves were still invoicing their exports to England largely in sterling rather than in Reichsmarks, and there would be little or no market for restricted drafts of this character.

The problem was then approached from the other point of view, on the theory that the German exporters, by their own voluntary action might deliver enough sterling each month to cover the amount which Great Britain was entitled to receive on account of the Recovery Act, and that the sterling bills thus delivered could be used as the medium for making the Recovery Act payments to Great Britain. On March 25, 1925, negotiations were concluded upon this basis and a draft protocol

providing for amending the method of administering the British Reparation Recovery Act was duly initialled by representatives of the British and German Governments. The Transfer Committee passed resolutions on the same day giving effect to its provisions, and on April 1st the Reparation Commission also took the necessary action. The protocol was finally signed by the authorised representatives of the two Governments on April 3rd, and on April 7th the British Parliament, on the recommendation of the Chancellor of the Exchequer, passed a bill suspending as from midnight on April 9th the Collection in Great Britain of the 26 per cent levy.

As from May 1, 1925, the new method of administering the Act has been in effect. Instead of 800 German exporting firms, as provided in the Agreement, 1200, representing about 90 per cent of the German export trade with England, have already given undertakings to deliver to the Reichsbank each month 30 per cent of the sterling proceeds accruing to each one of them from exports to Great Britain. Out of the sterling so surrendered, the Reichsbank at agreed intervals each month makes deposits at the Bank of England for credit to the account of the Agent General for Reparation Payments, representing the sterling equivalent of the reichsmark credit held by the Agent General for the British Government and available for payments to it under the Recovery Act in accordance with the programme established by the Reparation Commission after consultation with the Transfer Committee. The Agent General, in turn, against advice of the deposits to his account with the Bank of England, reimburses the German exporters, through the Reichsbank, with the equivalent in Reichsmarks of the sterling thus deposited, and, subject to the approval of the Transfer Committee, pays over the sterling to the British Government.

It is expected that the aggregate surrenders of sterling by the exporters will be sufficient to cover the requirements of the Recovery Act but the Agreement also provides for the creation and maintenance of a reserve fund in the sterling equivalent of 10,000,000 Reichsmarks with the Devisenbschaffungsstelle (1) for use in the event that the sterling surrendered should ever be inedequate.

Operations under the new system began promptly on May 1, 1925, and the sterling necessary to cover its requirements through the month of May has already been surrendered to the Agent General and paid over to the Bank of England according to the terms of the agreement.

From the point of view of the Transfer Committee the new method of administering the British Recovery Act is entirely satisfactory. It assures to the Committee the full control contemplated by the Plan, first through the fact that it is consulted in the formulation of the programmes, and then through the power of the Committee to suspend payments whenever necessary in its judgment to prevent difficulties arising with the foreign exchange. The new system also has the advantage of adjusting itself automatically to the British Government's share in the available funds in the Annuity. Throughout the negotiations leading up to the agreement the Agent General and the Transfer Committee found both the British Government and the

(1) The Devisenbeschaffungsstelle is an office of the German Government which is charged with the purchase of foreign exchange. *See* page 48.

German Government most ready to recognise the jurisdiction of the Transfer Committee and most desirous of arranging an acceptable settlement; and it was conceded from the outset that any excess over its proper share that might be collected by the British Government under the old system would be promptly refunded to the Agent General by way of reimbursement to the Annuity. Within the past few weeks, in fact, an adjustment of this character has been completed covering the period up to May 1, 1925, and a repayment of about £335,000 has been made by the British Treasury to the Agent General on this account.

Satisfactory arrangements have also been concluded with the French Government for bringing the administration of the French Reparation Recovery Act into harmony with the Plan and under the jurisdiction of the Transfer Committee. As a result the French Government, beginning with the month of May, 1925, is depositing to the credit of the Agent General's Account with the Bank of France, the proceeds of collections under the Reparation Recovery Act in force in France. The sums thus deposited will be paid over to the French Treasury, subject to the approval of the Transfer Committee, within the limits of the French share of the available funds in the Annuity. The Transfer Committee, on this basis, has authorised the Agent General to make continued reimbursement to German exporters in respect to the French Recovery Act.

d. *Establishment and Maintenance of Accounts Abroad.*

Partly in consequence of the arrangements made in connection with the Reparation Recovery Acts, but also with a view to facilitating the service of the German External Loan, the Transfer Committee has authorised the Agent General to establish and maintain accounts in foreign currencies with various central banks outside Germany. The Agent General now has accounts of this character in the Federal Reserve Bank of New York, the Bank of England, and the Bank of France.

V. THE WORK OF THE COMMISSIONERS AND TRUSTEES.

The several Commissioners and Trustees are submitting at the same time reports covering the work in their respective fields. It is unnecessary here to do more than refer to certain features of these reports that have a special bearing on the operation of the Plan as a whole.

a. *The Commissioner of the Reichsbank.*

The Report of the Commissioner of the Reichsbank indicates the steps which have been taken to reconstitute the Reichsbank and recites what has been done in the performance of the Commissioner's functions under the Plan. The progress realised in the stabilisation of the German currency is also discussed below.

b. *The Commissioner for the German Railways.*

The Report of the Commissioner for the German Railways discusses the condition of the Company and summarises the results thus far attained in its operation. Under the concession granted by the Reich the Company has the right to operate the railways until December 31, 1964, this period being subject to reduction or extension according as the reparation bonds and preference shares of the Railway Company are extinguished or not. The Company owns all the working assets, such as supplies, accounts receivable and cash, but the title to the land and appurtenances, as well as to the rolling stock, remains in the Reich.

It is still too soon to draw conclusions as to the earning power of the Railway Company, but the results thus far seem to be on the whole satisfactory. Despite somewhat unfavourable conditions, the receipts for the six months have nearly tallied with the estimates of the Company, leaving a working surplus of 276,809,000 reichsmarks, of which 142,469,000 has been devoted to extraordinary expenditure. This result has been attained notwithstanding substantial reductions in freight rates and a considerable excess of expenditure over the estimates.

The Report of the Commissioner emphasises the necessity, on the one hand, of keeping expenditures within proper limits, and, on the other, the importance of maintaining tariffs for both passenger and freight transportation that will yield an adequate return for the services rendered by the Railway Company. The figures given in the Commissioner's Report show the substantial extent to which freight tariffs have been reduced since September 1, 1924, particularly on goods of numerous classes, and the relatively low increase over pre-war passenger rates in Germany as compared with the rates in other countries. It shows also the extent to which the recommendations of the Experts for increases in workmen's wages have already been carried into effect. As against this it is interesting to note the extraordinary charges which the Railway Company has to bear, such as the increase in expenditure for pensions, particularly those to discharged employees.

There has not yet been any issue of the preference shares of the Railway Company for which provision was made in the Plan.

c. *The Commissioner of Controlled Revenues.*

The Report of the Commissioner shows the steps which have been taken to establish control over the assigned revenues and the organisation which has been required for the purpose. It is particularly interesting to note the actual collections of the controlled revenues thus far effected, and to see that the collections realised are materially in excess of the budget contribution provided for by the Plan in a standard year. The figures for the full financial year 1924-1925 are given in connection with the discussion of the German budget which appears later in this Report.

d. *The Trustee for the German Railway Bonds.*

The Report of the Trustee for the German Railway Bonds summarises his work up to this time. The Agent General and the Transfer Committee have been in frequent consultation with the Trustee on the question of the possible sale of a portion of the railway bonds when the time becomes opportune. In this connections the following resolution was unanimously adopted by the Transfer Committee at its seventh meeting held in Paris on April 8-10, 1925.

"The Committee appreciates the importance of the views entertained by the Trustee for the German Railway Bonds as to the desirability of putting these bonds on an investment basis and selling them in so far as possible on the investment markets of the world in accordance with the contemplation of the Experts' Plan. The Committee is of the opinion, however, that as a practical matter the prospects for the sale of the bonds will depend primarily upon their intrinsic merits, and will be determined by the credit of the German Railway Company, its record of operation and earnings, and the general record which is established with respect to the stability of Germany and the progress of the Experts' Plan. These are questions of fact on which the investment markets will have to form their own judgment in due time. Whenever an opportune time arrives for selling the bonds the Committee will be glad to consider the question further in co-operation with the Trustee, having due regard to the responsibilites entrusted to it in connection with the Experts' Plan and the flotation of the German External Loan 1924".

e. *The Trustee for the German Industrial Debentures.*

The report of the Trustee for the German Industrial Debentures summarises the progress made in the application and administration of the charge upon German industry.

The amounts required for the service of the industrial debentures will be paid into the account of the Agent General twice each year, the first intalment of 62,500,000 gold marks falling due on April 1, 1926, and the second instalment in the same amount on August 25, 1926. The instalments increase until in a standard year they aggregate 300,000,000 gold marks, which includes interest at the rate of 5 per cent and provision for a redemption fund at the rate of 1 per cent. This means a total annual charge for both interest and redemption fund amounting under present conditions to 6 per cent of 15.73 per cent, or less than 1 per cent of the business capital (Betriebsvermögen) of each of the industrial and trading concerns upon which the industrial charge is imposed.

VI. THE GERMAN BUDGET.

After reviewing the operation of the Plan in respect to reparation payments, it is important, in the light of the recommendations of the Experts' Report, to see what has been accomplished in the direction of balancing the German budget and stabilizing the German currency.

a. *The Financial Year 1924-25.*

The financial year 1924-25 closed on March 31, 1925, and more or less complete figures are now available to show its results. The year was just beginning when the Experts filed their Report. In connection with its preparation the German Government prepared and submitted the outline of a provisional budget for the financial year 1924-25, showing a small excess of estimated receipts over expenditures in the ordinary and extraordinary budgets but not enough to meet the whole of the estimated expenditure on account of Treaty charges (1). By the time the Report was put into effect conditions had improved to an extent that made it reasonably clear that a surplus would be realised, and now that the financial year has closed it is possible to get a fairly accurate, though still incomplete, picture of the revenues and expenditures for the year. While the results are encouraging, it would be a mistake to draw too optimistic conclusions for the future from the record made. An analysis of its results is helpful, however, as a means of testing the conclusions of the Experts' Report, and gives some indication of what may be expected in the future.

The revenues of the year 1924-25 have now been definitely reported, but the budget for that year has not yet been passed in final form, nor have the final figures for expenditures been made available. The published reports of the German Government, as supplemented by official statements made recently by the Minister of Finance, do give some of the figures for expenditures, and some information also may be gathered from the estimates.

(1) *Estimates.*

Briefly stated, the budget estimates for the year, based upon the most recent figures, those of November, 1924 (after allowing for transfers between the ordinary and extraordinary budgets) were as follows:

ESTIMATED RECEIPTS.	IN MILLIONS OF REICHSMARKS.
Taxation	5,243.7
Administrative receipts	268.5
Internal loan	348.0
TOTAL	5,860.2
From this amount it was estimated that the Reich would pay to the States and Communes on account of their participation in the receipts from taxes	1,861.6
Leaving an estimated revenue available to the Reich of	3,998.6

(1) See Annex No. 8 to the Report of the First Committee of Experts, entitled "Provisional Survey of the Reich's Budget for 1924".

ESTIMATED EXPENDITURES.

Administrative expenses of the Reich :

Ordinary budget	3,215.5	
Extraordinary budget	316.6	
Peace Treaty charges to be borne by Germany, payable prior to and outside of the operation of of the Experts' Plan	466.5	
		3,998.6

From the foregoing it appears that the budget estimates contemplated that there would have to be an internal loan of 348 million reichsmarks in order to balance the budget. It is to be noted also that the estimates included no provision for expenditures resulting from the execution of the Experts' Plan, for the reason that under the Plan there is no charge on the German budget during the first year, the entire Annuity for this year being provided by the external loan of 800 million gold marks and the payments of interest on the reparation bonds of the German Railway Company. The estimated expenditure on account of Peace Treaty charges represented expenditures outside the Plan, accruing mainly before September 1, 1924.

(2) *Actual Receipts.*

The final figures show that the receipts of the Reich for the year 1924-25 have been far in excess of the estimates, and nothing in the nature of an internal loan has been required. The returns from taxation amounted in total to 7,311.7 million reichsmarks, showing an excess of 2,068 million reichsmarks over the estimates, or an increase of nearly 40 per cent. The following table gives the receipts in detail, as compared with the estimates :

	ESTIMATED RECEIPTS.		ACTUAL RECEIPTS.				
	FINANCIAL YEAR 1924-25.	MONTHLY AVERAGE.	MONTHLY AVERAGE.				FOR YEAR ended March 31, 1925.
			1st quarter.	2nd quarter.	3rd quarter.	4th quarter.	
	(In millions of reichsmarks.)						
I. Taxes on incomes, sales, transport, etc. :							
a) Recurring	4,108.0	342.3	403.9	468.5	509.9	510.6	5,678.6
b) Non-recurring	36.0	3.0	6.8	3.4	11.5	4.5	78.8
II. Customs and taxes on tobacco, beer, etc. :							
a) Assigned	1,017.0	84.8	85.1	113.8	131.3	144.6	1,424.2
b) Other	82.7	6.9	7.8	8.5	11.5	13.0	122.5
III. Miscellaneous	–	–	1.3	0.6	0.4	0.2	7.6
TOTAL	5,243.7	437.0	504.9	594.8	664.6	672.9	7,311.7

The average monthly receipts for each quarter, in the case of all the principal categories of taxation, show a consistent increase. The average monthly receipts for the fourth quarter are 168 million reichsmarks larger than those of the first quarter (an increase of 35 per cent), and 235.9 million reichsmarks larger than the estimates (an increase of 54 per cent).

The yield of the recurrent taxes on income, sales, transport, etc., as compared with the estimates, appears in greater detail in the following table :

	ESTIMATED RECEIPTS.		ACTUAL RECEIPTS.				
	FINANCIAL YEAR 1924-25.	MONTHLY AVERAGE.	MONTHLY AVERAGE.				FOR YEAR ended March 31, 1925.
			1st quarter.	2nd quarter	3rd quarter.	4th quarter.	
	(In millions of reichsmarks.)						
Income tax :							
a) On wages	–	–	87.8	109.7	120.3	125.2	1,329.1
b) On income from capital	–	–	0.6	1.0	1.3	3.4	19.1
c) On other forms of income	–	–	66.4	68.5	77.2	75.4	862.4
Together	1,344.0	112.0	154.8	179.2	198.8	204.0	2,210.6
Corporation tax	144.0	12.0	23.1	24.9	28.7	27.9	313.8
Tax on real and personal property	376.0	31.3	24.9	34.5	49.9	57.0	499.0
Turnover tax :							
a) Ordinary	1,260.0	105.0	139.1	148.5	163.6	146.9	1,794.5
b) Extraordinary (luxury)	180.0	15.0	8.9	8.2	11.3	11.3	119.1
Tax on bourse transactions	150.0	12.5	10.2	10.0	7.3	10.0	112.5
Transport tax	230.0	19.2	20.3	36.7	23.4	23.9	313.1
Other taxes	424.0	35.3	22.6	26.5	26.9	29.6	316.0
TOTAL	4,108.0	342.3	403.9	468.5	509.9	510.6	5,678.6

The increase of these receipts during the financial year has been in general consistent, as appears from the rise in the average monthly receipts in each quarter. The decrease in the receipts from the turnover tax in the fourth quarter is due to the reduction in the rate of the tax (from 2 per cent to 1 1/2 per cent) on and after January 1, 1925, following an earlier reduction from 2 1/2 per cent to 2 per cent on and after October 1, 1924. These two reductions followed the recommendations of the Experts' Report. The reduction in the receipts from taxes on "Other forms of income" is also noticeable. It is largely due to a 25 per cent reduction, effective on January 10, 1925, in the amount of the preliminary tax payments. The rate of tax on bourse transactions was also reduced as from November 17, 1924. As for the transport tax, which, beginning with the second Annuity year, makes an important contribution to the Annuity, it is interesting to observe that the total yield in the year 1924-1925 was about 313 millions of reichsmarks. This compares with the first contribution which it makes to the Annuity, in the amount of 250 million gold marks, and its contribution in a standard year of 290 million gold marks.

Passing from the taxes on incomes, sales, transport, etc., it is to be observed that the customs and other assigned revenues, including the taxes on tobacco, beer and sugar, and the net return from the spirits monopoly, show a surplus of 407.2 million

reichsmarks over the estimates, or an increase of about 40 per cent. The following table shows these revenues more in detail, as compared with the estimates :

	ESTIMATED RECEIPTS.		ACTUAL RECEIPTS.				
			MONTHLY AVERAGE.				FOR YEAR ended March 31, 1925.
	Financial year 1924/25.	Monthly average.	1st quarter.	2nd quarter.	3rd quarter.	4th quarter.	
1924/25.	(In millions of reichsmarks.)						
Customs	160	13.3	21.8	23.8	31.2	42.1	356.4
Tobacco tax	360	30.0	35.6	41.4	44.7	49.3	513.1
Beer tax	126	10.5	13.7	20.1	15.0	16.4	195.7
Sugar tax	231	19.3	10.8	19.6	22.8	19.4	217.5
Spirits monopoly	140	11.7	3.2	8.9	17.6	17.4	141.5
TOTAL	1,017	84.8	85.1	113.8	131.3	144.6	1,424.2

In accordance with the London Agreement the German Government assigned these revenues by way of security for the contributions to be made from the German budget and by way of collateral security for the interest and redemption of the railway and industrial bonds. In connection with the German External Loan, 1924, these assigned revenues were made subject to a first charge, by way of collateral security, in favor of the service of the loan.

In addition to the revenues from taxation and the administrative receipts anticipated in the budget estimates, the Reich has had at its disposal during the financial year 1924-25 a series of other receipts which had not been considered in the budgetary provisions. According to the statement recently made by the Minister of Finance to the Taxation Committee of the Reichstag, these receipts have been as follows :

	IN MILLIONS OF REICHSMARKS.
Profits paid to the Reich by the Post Office and the Printing Office	75
Profits made by the minting of silver coins	220
Profits made by the minting of subsidiary coins	45
Interest from funds of the Reich invested in bills of exchange	30
Taxes collected after September 1, 1924 by the authorities of occupation and repaid to the Reich	23
TOTAL	393

The Finance Minister in one of his statements has also included in the receipts a further item of 345 million Reichsmarks representing an unused balance of the Rentenbank loan account. While from a cash point of view this is a resource of the

Reich, it does appear to be a revenue item and is not included in the figures herein given.

By way of summarising the gross receipts of the Reich for the financial year 1924-25, it may be stated that :

		IN MILLIONS OF REICHSMARKS.
Receipts from taxation have amounted to.....		7,311.7
Administrative receipts have amounted to :		
(*a*) Estimated in the budget and realised.....	268.5	
(*b*) Excess realised over the budget as reported by the Finance Minister.....	393.0	
		661.5
Gross receipts.....		7,973.2
Deduct Payments to the States and Communes....		2,744.6
Net receipts available to the Reich for the financial year 1924-25.....		5,228.6

(3) *Actual Expenditures.*

The final figures for the expenditures of the Reich during the financial year 1924-25 are not yet available, and it is difficult if not impossible, to make a definite analysis from the incomplete and tentative figures which can now be had. The year, moreover, has naturally been a period of liquidation of situations resulting from thewar and the period of inflation. To an important extent the year's expenditures represent payments on account of old liabilities or in settlement of obligations which are not likely to be recurrent.

There are several reasons why the definitive figures for expenditures are not yet available. The principal one is the practice of the Government, in common with other Continental countries, not to close its expenditure accounts promptly at the end of a financial year. Instead it keeps them open and takes up in them, as expenditures of the year, payments made subsequently on account of liabilities incurred or existing during the year. In a period such as the one through which Germany has been passing, this practice alone might materially affect the expenditure accounts. In any event it results in stating revenues upon one basis and expenditures upon another. A further reason is that the budget estimates of expenditure for the financial year 1924-25 have not yet been finally voted. This was not unnatural during the period of inflation, or even during the first year of stabilisation. But it should correct itself under normal conditions.

In the absence of definite figures of expenditure, it is necessary to refer to the budget estimates. The statement already given shows that the expenditures of the Reich for the year under the ordinary and extraordinary budgets and the "Peace

Treaty Budget", including non-recurrent expenditures, were estimated at 3,998.6 millions of reichsmarks. This was exclusive of payments to the States and Communes, which actually amounted to 2,744.6 million reichsmarks during the year, as compared with an estimate of 1,861.6 million reichsmarks.

As against these estimates, it appears from the statements made by the Finance Minister that economies amounting to about 560 millions reichsmarks have been realised during the year. The detailed figures have not yet been given, and it is not clear to what extent the economies may prove to be merely postponements of payments. But after deducting them from the total estimated expenditure, the actual expenditure under the budget would appear to be about 3,438.6 millions of reichsmarks.

These reported savings, substantial as they are, appear to have been more than offset by supplementary expenditures, already made or in contemplation. The additional Budget 1924-25, which is at present before the Reichstag, covers a large part of the supplementary expenditure, including the following :

	IN MILLIONS OF REICHSMARKS.
Settlement of Charges arising from the War	
War and demobilisation expenditure	66.2
(This expenditure arises partly out of obligations contracted by the Reich in foreign currency to Norwegian and English companies for the supply of fish. It has hitherto figured in the Public Debt of the Reich under the heading « Other obligations to pay »).	
Compensation to Federal States (Prussia, Bavaria, Hesse and Oldenburg) for requisitioned timber	45.2
Compensation for losses due to sequestration and liquidation of German property in foreign countries	289.0
Compensation to Prussia for the loss of productive State assets	65.0
Advances to Public Enterprises	
Loan to Deutsche Werke	12.0
Loan to the German Railway Company	120.0
(This will apparently be in the form of an investment in the preference shares of the Company, partly to take up an existing short-term loan in the amount of 82 millions reichsmarks.)	
Miscellaneous Expenditures	
Ruhr Fund paid to the States for indemnity purposes	43.4
Other	11.6
	55.0
TOTAL	652.4

According to the statements of the Finance Minister, other supplementary expenditures have been made, or are definitely contemplated, as follows:

	IN MILLIONS OF REICHSMARKS.
Ruhr Fund, for compensation to industrialists and private individuals....	577.0
Redemption of Gold Loan in excess of the amount estimated.....	136.0
Loan to the Spirits Monopoly.....	38.0
TOTAL.....	751.0
TOTAL of both groups.....	1,403.4

The greater part of the items covered by these supplementary estimates appear to be for the liquidation of obligations of one kind or another, or in the nature of advances to public or quasi-public enterprises. After taking them all into account there would appear to be a net surplus of 386.6 millions of reichsmarks for the year in addition to the unused credit of 345 millions from the Rentenbank Loan (which the Finance Minister has treated as an item of revenue).

In his address to the Taxation Committee of the Reichstag on May 6, 1925, the Finance Minister indicated demands for expenditure (although he did not give detailed figures), which he said would reduce the surplus to about 100 million reichsmarks, after taking into account the Rentenbank loan. The items which he mentioned are as follows:

(1) Grants unused which are expected to fall into the following financial year.

(2) The need for a working fund to cover the requirements of the public pay offices, resulting from

(*a*) the substitution of quarterly for monthly payment of taxes, and

(*b*) the payment of official salaries quarterly in advance.

(3) The payment of the assigned revenues to the Commissioner of Controlled Revenues which every month temporarily immobilises some 140 millions of reichsmarks.

(4) Refunds of excess taxes collected. According to the estimates it is anticipated that these will be small.

(5) The proposed revalorisation of the loans of the Reich, which is said to necessitate a non-recurrent expenditure of 150 million reichsmarks for the lump sum indemnification of certain classes of bond holders (savings banks, social insurance funds, etc.).

Of these items only the last two appear to involve expenditures in the ordinary sense of the word. The others raise rather questions of treasury management

which would seem to call for administrative attention rather than for a charge against the budget.

For a final analysis of the year's expenditures, particularly those contemplated by the supplementary estimates, it will be necessary to wait until the definitive figures are available.

b. *Budget Estimates for 1925-26.*

The budget for the financial year 1925-26 has not yet been voted, but preliminary estimates have been submitted by the Government and statements have been presented by the Finance Ministry to the Reichstag. The Reichstag up to this time has adopted only certain parts of the budget. The only available figures, therefore, are purely tentative and subject to change, but as they now stand (and after the elimination of items which appear both as receipts and expenditures and thus counterbalance one another) may be summarised as follows:

ESTIMATED RECEIPTS.		IN MILLIONS of reichsmarks.
Estimates appearing in ordinary and extraordinary budgets, as originally submitted		5,368.6
Supplementary estimates of increases in receipts:		
Direct taxes	883.0	
Indirect taxes	428.3	
		1,311.3
Receipts under war charges budget		293.2
TOTAL estimated receipts		6,973.1
Deduct:		
Estimated payments to the States and Communes	2,327.6	
Proceeds of anticipated sale of Preference Shares of the Railway Company included in the receipts under the war charges budget, which the Government believes may not be realised	291.7	
		2,619.3
TOTAL estimated receipts available to the Reich		4.353.8

ESTIMATED EXPENDITURES.		IN MILLIONS OF REICHSMARKS.
Ordinary budget as originally submitted		3,338.5
Extraordinary budget		146.4
War charges budget :		
Expenditure to be borne by the Reich	162.3	
Annuities under the Experts Plan (1)	291.7	
Payment of "E" bonds (2)	142.7	596.7
Supplementary estimates submitted by the Government (of which 10 millions represent a loan to the Deutsche Werke and 30 millions a grant to the occupied territories for the construction of dwelling houses)		70.9
Increases in estimates made in the Reichstag committees (as of May 12th)		338.0
TOTAL estimated expenditures		4,490.5

The estimated expenditures would thus exceed the estimated revenues by 136.7 millions of reichsmarks. Its is proposed to cover this deficit by increases in the tobacco and beer taxes, which are expected to yield for this year about 130 millions of reichsmarks of additional revenue.

Here, too, a detailed analysis of the budget will have to await the definitive figures.

c. *General Observations on the Budget.*

There are certain features of the German budget which call for further comment, particularly in view of the suggestions and recommendations made by the Experts in their Report.

(1) *Payments to the States and Communes.*

The figures which have been given above show that the largest single item in the expenditure accounts represents payments to the States and Communes out of the revenues collected by the Reich. According to the latest figures, these payments during the financial year 1924-25 actually amounted to 2,744.6 million reichsmarks, as compared with total receipts to the Reich of 7,973.2 million reichsmarks. In short, about a third of the gross receipts were paid to the States and Communes. The estimates thus far submitted for 1925-26 place the amount of payments to the States and Communes at 2,327.6 million reichsmarks, as compared with estimated receipts to the Reich from all sources of

(1) Represented in part by the possible budget contribution and in part by the transport tax.

(2) Bonds issued for the reimbursement of payments under the British Reparation Recovery Act prior to the operation of the Plan, or for Ruhr compensation payments.

6,973.1 millions of reichsmarks. These figures show the volume of these payments, and indicate the importance of the observations of the Experts on the subject.

The Experts' Report drew particular attention to the financial relations between the Reich and the States and Communes and summarised the then existing situation as follows :

« Although the Reich is charged with the administration of taxes formerly undertaken by the States, it is under obligation to cede the major part of the proceeds of the income tax, for example, to them. The States discharge wholly or in part many of the functions of Government, and there is no clear principle connecting their resources with their obligations.

« When in difficulties they press the Reich for larger subventions (as percentage of the yield of taxation) just as in turn the needy Communes press the States for greater financial aid.

« The situation has hitherto been governed by merely political or administrative opportunism rather than by clear financial principle. The Reich can either yield to the pressure for higher percentages in subvention or.... can confer upon the States the right to exploit particular fields of taxation for themselves. The check by the States upon the Communes is equally unsatisfactory. It is almost impossible to ascertain the true cost of any of the single functions of Government in view of its division between these three constitutional entities, and in the absence of proper aggregated financial statistics of the States and still more of the Communes. »

After some further detailed observations, the Report goes on to state :

« It is clear, however, that in the near future the German Government must take steps to put the relations between the Reich and its component parts on a regular basis which shall ensure that the latter are not a constant drain upon federal resources; the existing hole in the budget must be plugged. »

The Experts did not « pretend to be in a position to make detailed recommendations », realising that « the subject is a complicated one and involves the consideration of social and political factors, many of which have deep roots in historic traditions ». Nevertheless, it is clear from the following sentence of their report that they expected reforms to be made in this regard : « Moreover, if our recommendations are accepted in their entirety, self-interest alone may almost confidently be relied upon to force the German Government to make provident arrangements with the States, and it has already given us an assurance that the régime of increased subsidies has come to an end and will not be revived ».

Up to this time the system remains substantially the same as it was when the Experts' Report was written, and apparently there is little prospect of a change in the immediate future. In the tax bills now awaiting adoption by the Reichstag, the Government has asked only for reductions in some of the percentages of division, while the Reichsrat, representing the various States, has so far refused to approve these reductions and insists upon the maintenance of the present status.

Under the system now in force the payments by the Reich to the States and Communes are subject to increase or decrease, without regard to their needs, according to the amounts of revenue collected by the Reich. In the year just past, for example, the States and Communes have received about 883 million reichsmarks more than was originally provided in the budget estimates, though their own financial programmes had presumably been based on the lower figures. The budget of the Reich is thus subject to practically a fixed charge in an undetermined amount, equivalent to the prescribed percentages of certain tax collections. This charge is not only subject to wide fluctuations, but it is practically impossible to analyse without entering into a detailed examination of the budgets of the several States and Communes.

At the present time, for example, and since the Third Emergency Tax Decree of February 14, 1924, the States and the Communes (through the intermediary of the States) receive the following percentages of taxes collected by the Reich:

(1) 90 per cent of the income tax.

(2) 90 per cent of the corporation tax.

(3) 20 per cent of the turnover tax.

(4) 96 per cent of the tax on real estate transactions (at least half of which has to be transferred to the Communes).

(5) 96 per cent of the race betting tax.

(6) 96 per cent of the automobile tax.

It seems particularly significant that payments to the States and Communes under the present system should take 90 per cent of the income tax and 90 per cent of the corporation tax levied by the Reich. These are taxes which one would naturally expect to respond most closely to fluctuations in the prosperity of the country as a whole and, therefore, to be most available to meet the burdens falling upon the Reich.

(2) *Important Items of Expenditure.*

In the absence of the classified figures for expenditure during the year 1924-25, the budget estimates furnish a guide to some of the more important items. The expenditure for pensions, for example, is worthy of note. The 1924-25 budget provided a total of 894.3 million reichsmarks for this purpose, of which 45.5 million reichsmarks were for civil pensions and 848.8 million for military pensions. For the financial year 1925-26, the budget allowance appears to have been increased to 1,202.2 million reichsmarks, of which 67 millions are for civil pensions, and 1,135 millions are for military pensions. Estimated expenditure for the Reichswehr and other military forces during the year 1924-25 amounted to 456.3 millions of reichsmarks, while for the year 1925-26 the tentative estimates call for 561.8 millions. As compared with these figures it is interesting to note that the estimated expenditure for interest on the public debt of the Reich during the financial year 1924-25, was about 142 million reichsmarks, and that the tentative estimate for the year 1925-26 is about 53 million reichsmarks. The service of the German External Loan does not appear in these estimates, since it is provided out of the Annuity.

A further strain is put upon the treasury by the recent action of the Reich in reverting to a practice prevalent before the war of paying salaries of officials and employees three months in advance. This unusual procedure calls for additional working funds, but the precise extent of the burden cannot yet be measured.

VII. THE PUBLIC DEBT OF THE REICH.

According to the official statement published by the Government the public debt of the Reich during the financial year ended March 31, 1925, increased by about 410 millions of reichsmarks, leaving the total public debt on that date at 2,815.6 million reichsmarks. The increase was due to the issue of the German External Loan, 1924, for the other debt diminished by about 530 million reichsmarks during the year. The following table gives the comparative figures with brief notes by way of general explanation :

	MARCH 31, 1924.	MARCH 31, 1925.
	(In millions of reichmarks).	
I. TREASURY BONDS AND BILLS.		
Dollar Loan, issued under law of March 2,1923, offered in the amount $ 50,000,000. Redeemable April 15,1926. Debt assumed by the Reichsbank	195.0	–
Gold Loan 1932, issued under law of June 4, 1923, to guarantee issue of fixed value emergency currency (Notgeld). Redeemable December 1,1932, but largely repurchased in 1924	42.0	1.4
Gold Loan 1935, issued under law of August 14,1923; offered in the amount of 500,000,000 gold marks. Most of the issue repurchased on open market	210.2	23.0
«*K*» *Bonds*, issued under law of July 11,1923, to provide compensation to German nationals for war damage. Various terms and dates. Exchangeable for «E» Bonds	2.8	1.4
«*E*» *Bonds*, issued under decree of February 9,1924, in exchange for «K» bonds and also to provide compensation to German nationals for certain deliveries in kind and for Reparation Recovery Act deductions on German exports to Great Britain. Bear no interest, but repayable in four semi-annual instalments beginning October 1,1924 at 100, 105, 110, and 115 respectively		276.0
Reichsmark Bills, short treasury obligations discounted in the market	148.9	30.0
	598.9	331.8
II. BANK LOANS.		
From the Rentenbank, granted under decree of October 15, 1923 in a maximum amount of 1,200 million rentenmarks	1,096.5	1,186.7
From the Reichsbank, contracted in the course of efforts to support the mark at the beginning of 1923	235.5	226.5
	1,332.0	1,413.2
III. MISCELLANEOUS.		
Including various guarantees given and obligations assumed by the Reich, expressed largely in foreign currencies	475.1	132.8
IV. GERMAN EXTERNAL LOAN 1924.		
Converted at the rates of exchange prevailing on March 31, 1925	–	937.8
TOTALS	2,406.0	2,315.6

The present actua value of the old paper mark debt of the Reich, unless it should be increased by revalorisation, amounts to less than 1,000 reichsmarks. The Government has recently made proposals for revaluing a portion of this old debt, and a bill is now pending in the Reichstag under which it would be revalorised under certain conditions at about 4 milliards of reichsmarks. Until further action has been taken, it is impossible to give definite figures as to the effect this will have on either the principal of the debt or the annual charge for its service. Whatever the resulting charge, it must be clear, of course, that it will be subordinate at all times to the charge for reparations. This in fact is expressly recognised by the bill which the Government has presented.

VIII. THE STABILISATION OF THE GERMAN CURRENCY.

The First Committee of Experts also considered the measures to be taken to stabilise the German currency. This was of fundamental importance, for without currency stability the steps taken to balance the budget would have been of limited value, and a lasting improvement would have been impossible. Important steps of a provisional nature had already been taken towards the stabilisation of the currency by the Germans themselves, and the recommendations of the Experts were designed largely to confirm the good effects of these measures and to make possible a definitive stabilisation.

The autumn of 1923 had found the old mark currency of Germany depreciating with disastrous rapidity. It had been given up as a standard of value. Prices were figured and payments were made in terms of the gold mark, a currency of hypothetical character only, and actual exchanges were effected either in the unstable paper currency reduced to a gold equivalent, or in various supplementary currencies some of which, including foreign banknotes, had an approximately equal value with gold. By the end of October, 1923, the paper mark circulation of the Reichsbank nominally amounted to 2,496,823,000,000,000,000 marks.

The gold equivalent of this sum was only 145 million gold marks, or barely seven per cent of the circulation of the Reichsbank before the war, and aside from such foreign banknotes as were in use in Germany, the total gold value of currency in circulation (or such obligations as passed for currency) was possibly five per cent of the German pre-war circulation, after allowing for the gold coin then in the hands of the public. In consequence, there was immense pressure upon the Reichsbank to continue printing notes to relieve the shortage of currency, and as the currency for some weeks more continued to depreciate in value, it passed from hand to hand with high rapidity. The Reichsbank did in fact continue the printing of new notes, until by the end of September, 1924 its circulation had multiplied another 600 times, standing at 1,520,510,653,712,271,000,000 paper marks, which was equivalent to about 1,520 million gold marks. But in spite of this increase, the variations in the German exchange with respect to gold currencies remained relatively small from late November 1923, until the reform of the currency was finally effected in October 1924. This stability was the result not only of the provisional measures taken to that end, but also of the definitive measures provided for in the Experts' Plan.

a. *Preliminary Measures of Stabilisation.*

The first, and fundamental, preliminary step towards stabilisation was the creation of the German Rentenbank. This institution was established under an emergency decree dated October 15, 1923, and began operations one month later, almost simultaneously with the appointment of the Experts' Committee. Its dual function was to provide a stable medium of payment and to relieve the finances of the Reich. Its capital was provided by a general mortgage in the amount of 3,200 million gold marks, bearing interest at six per cent, per annum, on the agriculture, trade and manufacturing of Germany. On the basis of this mortgage the Rentenbank was authorised to issue Renten certificates bearing interest at 5 per cent. These Renten certificates provided cover for notes, and, being expressed in gold marks, were designed to maintain notes issued against them at gold parity, one rentenmark to equal one gold mark. Such notes, in blocks of 500 rentenmarks, were to be always exchangeable for Renten certificates. Rentenmark notes were not legal tender, but were acceptable by the Government offices in payment of taxes. The new currency had an exchange value with the Reichsbank paper mark notes at approximately one to a billion (that is to say, a million million).

The Rentenbank immediately granted to the Government a loan which was in no case to exceed 1,200 million rentenmarks. The purpose was in part to provide the Reich with funds pending the collection of taxes, which simultaneously with the establishment of the Rentenbank were fixed in the equivalent of gold, and were to be collected under penalty at an accelerated rate. Out of its loan of 1,200 million rentenmarks, the Government used 196,459,960 rentenmarks to refund to the Reichsbank the whole of its floating debt up to that date. From the time the Rentenbank began operations, the Reichsbank was debarred from issuing notes for the use of the Government, thus relieving it of one of the principal causes of the inflation of its note issue; on the other hand, the Reichsbank received from the Rentenbank a loan of 800 million rentenmarks. It was through these two loans to the Government and the Reichsbank that the bulk of the Rentenbank circulation was made available to the German economy.

As a result, the total gold value of the German circulation, which had stood at about 300 million gold marks at the end of October, had risen by the end of December, 1923, to 2,274 millions, in large part due to the new rentenmark circulation, but partly also to a continued increase in the old paper mark circulation of the Reichsbank.

By the early part of January, 1924, tax receipts had increased to such an extent that the normal revenues of the Reich were sufficient to cover its expenditures. But the payment of taxes, particularly since they were expressed in gold values, tended of itself to increase the demand for currency and credit. This was already very heavy, owing partly to the well-established habit of industry to borrow, confirmed by experience in the inflation period, and partly to the conditions which stabilisation itself imposed. The demand persisted in spite of the fact that the Reichsbank, in common with the principal commercial banks, was now granting credits only on a

gold basis, thus placing upon the takers of credit the risk of any losses which might result from a renewed inflation.

The new administration of the Reichsbank, dating from January 1, 1924, undertook to forestall this danger. In the winter of 1923-24, while the official exchange rate in Berlin was maintained at an equivalence with gold, the value of German currency had begun to fall below the gold equivalent on foreign markets. Believing that it was confronted with an extraordinary situation not amenable to the traditional method of control through the bank rate, the Reichsbank administration inaugurated on April 7, 1924, a policy of rigid credit restriction which involved strict rationing of credit. The bank rate was not raised above the figure of 10 per cent, but the Reichsbank announced that it was no longer prepared to discount bills to an amount in excess of its then existing portfolio. The total amount of credit thus available was strictly rationed among the various applicants. There followed an active liquidation of commodities and shares, with a corresponding fall of prices; a rapid rise in interest rates; a gradual return of a large proportion of German capital which had been exported; and the re-establishment of the stability of German currency in the foreign exchanges. By the end of June, 1924, when the quotations for German currency on foreign markets again came into coincidence with the quotations at home, it was possible for the Reichsbank fully to satisfy all demands for foreign exchange. The restrictions concerning the conduct of business on the foreign exchange market were gradually lifted, and by the end of the year 1924 were almost fully withdrawn. Likewise, the restrictions on the granting of credit were somewhat relaxed, though rationing was continued within somewhat higher limits. The foregoing measures are discussed at some length in the annual report of the Reichsbank for 1924.

The organisation of the Golddiskontbank, effected under a law passed on March 19, 1924, may be regarded as another interim measure taken by the Reichsbank for the supply of gold capital to German trade and industry. Its capital of 10 million pounds sterling was subscribed jointly by the Reichsbank and a consortium including almost all the German banking houses. Subscriptions were paid in terms of foreign currency. The amount involved in the Reichsbank subscription was provided by a loan of five million pounds from the Bank of England. The function of the Golddiskontbank as a possible bank of issue was never exercised; the maximum amount of its loans was reached on August 23, 1924, at approximately 14 million pounds sterling. The reconstitution of the Reichsbank and the coming into operation of the Experts' Plan relieved the Golddiskontbank from performing much of the work for which it was intended. As of the first week of January, 1925, the Reichsbank took over the shares in the Golddiskontbank owned by the members of the consortium, and which had been partially paid up. From that time the bank has operated substantially as a department of the Reichsbank. The loan from the Bank of England was repaid on April 30, 1925.

b. *Definitive Measures of Stabilisation under the Experts' Plan.*

The foregoing measures were of a provisional or emergency character, and their

final effectiveness was largely contingent upon the acceptance and operation of the Experts' Plan. The development of the Plan coincided with them in point of time and added to the confidence which they tended to create. The proposals of the Experts with respect to the reconstitution of the Reichsbank were put into the form of law on August 30, 1924, and the formal reconstitution was effected accordingly on October 11, 1924. The change from the old to the new bank was carried out with no disturbance to its business.

Externally, the main changes to be observed were that the new Reichsbank's accounts were expressed thereafter in terms of reichsmarks, and that new reichsmark notes soon began to make their appearance, having a relation to the old paper mark currency of one to one billion (a million million). But the changes were in fact profound, as may be seen from the separate report of the Commissioner of the Reichsbank.

The second of the main proposals of the Experts with respect to the stabilisation of the currency was the provision for the German External Loan, which has already been described in some detail. The issue of this Loan put at the disposal of the Reichsbank the effective equivalent of 800 million gold marks in foreign currencies, which as it happened, has been materially increased by the subsequent appreciation and return to par of the pound sterling. Following in its train were numerous other foreign loans and credits, extended particularly in Great Britain and the United States, which in aggregate have provided foreign currencies to a substantial amount. These found their way in large part to the Reichsbank. The loans have been mainly on a short term basis, many of them in the form of banking credits. Their effect has been to contribute materially to the stability of the reichsmark in foreign markets, in spite of the adverse trade balance, and to permit the Reichsbank to increase largely its holdings of gold. In fact, on April 30, 1925, the Reichsbank's actual gold holdings amounted to 1,014 million of reichsmarks, of which about 400 millions were imported or earmarked abroad for the account of the Reichsbank since its reconstitution under the Experts' Plan. In addition, it counted as reserve on that date 338 millions of reichsmarks held abroad in the form of bills or bank deposits, as against 205 million reichsmarks at the time of its reconstitution in October.

c. *Later developments in German currency and credit.*

References have been made above to the growth in the Reichsbank circulation from October, 1923, up to the date of its reconstitution, and also to the nature and utility of the circulation of the Rentenbank. The later developments in German currency and credit remain to be observed, covering the period from October, 1924, when the Experts' Plan became effective, until about May 1, 1925.

(1) *Money in circulation.*

On October 15, 1924, the first reporting date of the Reichsbank after its reconstitution, the total monetary circulation of Germany amounted to 3,540.4 million reichsmarks. This compared with a circulation of 5,741 million marks of the old currency on July 23, 1914, the last reporting date before the outbreak of war. The

composition of the currency on these two dates, as compared with April 30, 1925, was in round figures as follows :

	JULY 23, 1914.	OCTOBER 15, 1924.	APRIL 30, 1925.
	Millions of marks.	Millions of R. M.	Millions of R. M.
Reichsbank notes	1,891	1,397	2,452
Notes of the private banks of issue (Bavarian Note Bank, Wurtemberg Note Bank, Saxon Bank, Baden Bank)	150	–	153
Notes of the Reichskassen	100	–	–
Rentenbank notes	–	1,790	1,480
German gold coins	2,750	–	–
Other German coins	850	305	431
Hamburg emergency currency (gold secured)	–	45	–
Other emergency currency (largely of the railways)	–	3.4	–
TOTAL	5,741	3,540.4	4,516

The notes of the Reichsbank reported under date of October 15, 1924, while referred to in terms of reichsmarks, were in fact the old notes of the Reichsbank evaluated at the rate of one billion (a million million) paper marks to one reichsmark. The new reichsmark notes actually began to appear about the middle of November.

The semi-monthly changes in the circulation during the period since the reform of the currency are not without interest. The following table compares by semi-monthly periods the circulation of the Reichsbank since its reconstitution with the corresponding dates in 1913-14, and also the total circulation of Germany in recent months with that in the corresponding period before the war.

DATES.	REICHSBANK NOTES.		TOTAL GERMAN CURRENCY.	
	1924/25.	1913/14.	1924/25. (1)	1913/14.
	(In millions of reichsmarks or marks).			
October 15	1,397	2,065	3,496	5,924
October 31	1,781	2,119	3,831	5,956
November 15	1,633	1,928	3,575	5,775
November 30	1,863	1,982	3,955	5,818
December 15	1,723	1,929	3,824	5,784
December 31	1,941	2,593	4,274	6,453
January 15	1,646	2,051	3,807	5,919
January 31	1,901	2,053	4,209	5,889
February 14	1,760	1,826	3,952	5,668
February 28	2,106	1,954	4,391	5,794
March 15	1,948	1,795	4,129	5,645
March 31	2,315	2,428	4,492	6,287
April 15	2,188	2,037	4,241	5,904
April 30	2,452	2,101	4,516	5,944

(1) Excluding Hamburg emergency currency, amounting on October 15 to 45 million R. M.

From the foregoing table, it appears that the circulation of the reconstituted Reichsbank is tending to reproduce the oscillations in the Reichsbank circulation before the war; but this is probably less an indication of the elasticity of the currency than that German business is adhering generally to its former dates of settlement. The total currency in circulation at the end of April, 1925, was still about 1,500 million reichsmarks below the average pre-war circulation. It is important, however, not to overlook a material change in the character of the circulation as compared with that before the war. In the pre-war years gold formed a substantial part of the German circulation, amounting to an estimated total well above two milliards of marks, and the Reichsbank circulation averaged but little more than one-third of the total circulation. At the present time, however, there is no gold in circulation and the circulation of Reichsbank notes, particularly with the gradual extinction of the Rentenbank currency, forms a much higher proportion of the circulation, representing at present somewhat more than one-half of the total.

The conditions for the withdrawal of the notes of the Rentenbank were fixed by law under date of August 30, 1924, simultaneously with the law for the reconstitution of the Reichsbank. The general mortgage of 3,200 million gold marks which provided the original capital of the bank, was reduced to 2,000 million gold marks, and limited to agriculture. The entire circulation of the Rentenbank was to be retired within ten years of the time the law went into effect. The sinking fund for that purpose was to be provided from interest up to the amount of 60 million rentenmarks a year derived from the mortgage on agricultural property, a payment by the Reich fixed at 60 million rentenmarks per annum, and the annual share of the Reich in the profits of the Reichsbank, which in 1924 amounted to 55.6 million reichsmarks. The maximum of the sinking fund was fixed at 1,200 million rentenmarks. When that sum is reached, or at the most at the expiration of ten years, the Rentenbank is obliged to exchange for legal tender any of its notes remaining in circulation. At the present time the Rentenbank is operating chiefly as an institution for agricultural credit.

(2) *Volume of Reichsbank Credit.*

The volume of credit granted by the Reichsbank is reflected mainly in the two items of its statement, "Other bills and checks" and "Lombard loans". From October 15, 1924, to April 30, 1925, the sum of these two items declined about 600 million reichsmarks. This showing is due in part to the authoritative control of credit exercised by the Reichsbank, but rather more to two other factors of importance, first, that during this period the Reichsbank has transferred from its portfolio 675 million reichsmarks of agricultural bills to the Rentenbank in part payment of the loan of 800 million rentenmarks granted by the latter; and second, that the Reichsbank from time to time has invested substantial amounts of public funds in bills, also taken from its portfolio. On April 30, 1925, the liability of the Reichsbank on bills rediscounted, largely with public offices, amounted to about 600 million reichsmarks.

(3) *Private Bank Credit.*

The accounts of the private banks have shown substantial and, on the whole, consistent enlargement since January 1, 1924, the date as of which the banks published for the first time since the war figures calculated on a gold basis. In the table given below the statements of six of the largest German banks, which recently resumed the practice of reporting their condition every two months, have been combined for purposes of comparison. These six banks represent possibly 75 per cent of the banking strength of all the non-public banks in Germany.

	APRIL 30, 1925.	FEBRUARY 28, 1925.	DECEMBER 3, 1924.	JANUARY 1, 1924.
Assets.	(in thousands of reichsmarks).			
Cash, amounts due from clearing banks and minor banks of issue	103,971	85,152	194,713	105,747
Bills and treasury notes	1,007,436	882,223	860,289	42,163
Amounts due from banks and bankers	658,120	624,370	629,005	458,789
Advances on merchandise	360,128	332,779	260,691	74,448
Advances on stocks and bonds	67,135	53,728	41,705	17,210
Loans on current account	2,100,697	1,873,722	1,477,605	517,626
Bank buildings	166,972	160,819	159,552	157,000
Liabilities.				
Capital stock	452,020	452,020	452,020	452,020
Reserves	177,663	170,263	169,263	169,220
"Glaubiger"-mainly time and demand deposits	3,942,572	3,571,606	3,192,570	1,057,640
Acceptance liability	177,013	73,470	19,738	1,667

It will be seen from the foregoing table that the portfolio of bills and treasury notes, stated in gold values, has multiplied in these 16 months some twenty-five times; that advances on merchandise have multiplied five times; that advances on stocks and bonds have multiplied four times; that loans on current account have multiplied four times; and that time and demand deposits have multiplied slightly less than four times. Yet in both loans and deposits the figures remain far below what was usual before the war. In the main the growth in January and February appears to have continued in the next two months. Not the least important item in the table is that showing the acceptance liabilities of the banks. The principal growth in this item, which was of negligible amount at the beginning of the period, took place during the first four months of 1925 and coincided with the steps taken after consultation and agreement with the Reichsbank looking toward the re-establishment of the open discount market.

Throughout the autumn and winter of 1924-25 the Reichsbank administration had been making active efforts to re-establish an open discount market in Berlin, while at the same time adhering to its credit limitation policy. The banks were reluctant to employ their funds in bills because of higher rates obtainable in other kinds of business, and also because they were unable to dispose of their bills to the Reichs-

bank in the event of emergency. Early in March the Reichsbank agreed with twelve of the chief banks and banking-houses in Berlin to re-discount prime banker's acceptances for their account without regard to their ordinary lines of credit The banks, for their part, agreed among themselves to create acceptances only up to one half the amount of their capital.

Public funds at the disposal of the Reichsbank have remained, however, the principal support of the open discount market, and from time to time the Reichsbank has sold out of its own portfolio substantial amounts of bills to the public offices in order to furnish them with a short-term investment for their surplus funds.

(4) *Savings Deposits.*

There are indications of a gradual return of the habit of saving. The deposits of the savings banks had been almost completely wiped out through the process of inflation, but now they have again begun to accumulate. While figures for the whole of Germany are not available, semi-official figures for the State of Prussia, for the five months beginning with November 1924, show a regular increase in a substantial amount each month, as appears in the following table :

DATES.	SAVINGS DEPOSITS	
	AMOUNT.	INCREASE.
	(in thousands of reichsmarks).	
November 1924	332,230	
December 1924	404,100	71,870
January 1925	482,300	78,200
February 1925	553,950	71,650
March 1925	621,720	67,770
Total increase		289,490

(5) *Interest Rates.*

The cost of credit, though it remains high, has declined as credit conditions have become less restricted. The quoted rates of interest, however, are not fully indicative of conditions in the loan market as a whole, because in some cases the rates are the result of special consideration on the part of banking authorities, and in others are nominal rates subject to deviation upwards or downwards. Among the rates most frequently quoted is the rate for day-to-day money on the Berlin Bourse, which at the beginning of January, 1924 stood at about 100 per cent per annum. It fell, steadily, almost without interruption except for a temporary rise in March and April 1924, until it reached the Reichsbank discount rate of 10 per cent, which had remained unchanged throughout 1924. During the first four months of 1925 the day-to-day rate has ranged from 8 to 11 per cent. Money at one month has been from about one to three per cent above the day-to-day rate. For some time previous to the lowering of the Reichsbank rate from 10 to 9 per cent, on February 26, 1925, the standard rate charged by the important Berlin banks on ordinary commercial loans was 15 per cent, from which, however, there were many variations. After

the lowering of the Reichsbank rate the standard rate was reduced to 14 per cent, but from this also there remain many variations. The rate for bills on the open discount market has been consistently at 8 per cent since January, but this rate must still be regarded as governed by special conditions.

d. *The Public Banking Institutions.*

One other phase of German public finance must be kept in mind in considering credit and financial conditions in Germany, and that is the extent to which a banking business is transacted by the various public banks.

Among the most prominent of these institutions is the "Reichskredit-Gesellschaft", all the stock of which is owned by the "V. I. A. G." (Vereinigte Industrie-Unternehmungen A. G.), which in turn is a holding company, with a capital of 120 million reichsmarks owned by the Reich for the purpose of managing its interests in industrial companies. It transacts a large volume of business in which the Government is directly or indirectly interested, and at times has been a large depository for the Government and its agencies. The "Devisenbeschaffungsstelle" is another organisation owned by the Government, through which it has conducted many of its principal operations in foreign exchange. The "Verkehrs-Kredit-Bank", 70 per cent of whose stock is owned by the German Railway Company, transacts a considerable business in connection with railway transport and at the same time administers a large part of the Railway Company's funds, investing them in the discount market or depositing them in State banks or in certain private banks. The Rentenbank in its present form operates chiefly as a bank for agricultural credit. The "Deutsche Girocentrale" acts in large measure as a central bank for the savings offices, and the so-called "Preussenkasse" serves in much the same capacity for German credit co-operative societies. The "Preussische Staatsbank", generally known as the "Seehandlung", acts as the bank of the Prussian State and holds large amounts of State funds on deposit, as do the banks of the other principal German States.

The aggregate volume of business transacted by these various institutions amounts to a very substantial sum in the course of a year, and it is clear that their operations have an important bearing upon credit and financial conditions in Germany. The functions of some of them at least closely resemble those which a central bank is organized to perform. In the general introduction to the Experts' Plan, for example, it is stated that the reorganized Reichsbank "will be the depository and the fiscal agent of the German Government". In the annex of the Plan which deals with the new central bank, it is stated that "the Reich and its treasury shall conduct all their domestic and foreign banking business through the medium of the bank"; and further that "these organizations (viz. the Post Office and the Railways) shall entrust the bank, except insofar as the bank might modify this condition, with the whole of their treasury service". In the Bank Law of August 30, 1924, it is stated that "the Reich will entrust the Reichsbank with all banking business concerning the general administration of the Reich".

Within recent months there has been a tendency to regulate more strictly the disposition of public and quasi-public funds, including those of the Post Office, and

to keep the Reichsbank not only better informed about their employment but also more in touch with the operations of the various banking institutions having such funds at their disposal.

IX. SOME OTHER PHASES OF READJUSTMENT.

German business and industry are still passing through a period of readjustment, and of liquidation of situations remaining over from the war and the period of inflation. Many cross-currents are operating, and it is difficult to get a clear picture from the experience up to this time. Some of the basic statistics, however, are interesting, and will help to shew the tendencies which have appeared.

a. *Germany's Foreign Trade.*

The figures on the movements of imports and exports for the past 18 months reflect a series of unusual conditions, and even for the past six months there were undoubtedly many exceptional factors still operating.

The available statistics, as reported by the Reich Statistical Office, excluding the movement of precious metals, and exports of deliveries in kind, are as follows:

MONTH.	IMPORTS.	EXPORTS.	SURPLUS (+) DEFICIT (−).
1923.	Value in 1,000 RM.		
November	432,836	513,675	+ 80,839
December	489,160	559,848	+ 70,688
1924.			
January	562,187	429,823	− 132,364
February	725,815	464,758	− 261,057
March	688,555	455,799	− 232,756
April	800,567	480,936	− 319,631
May	886,887	513,903	− 372,984
June	734,306	474,405	− 259,901
July	534,548	572,259	+ 37,711
August	437,201	587,931	+ 150,730
September	618,492	562,189	− 56,303
October	847,369	610,043	− 237,326
November	1,034,225	641,002	− 393,223
December	1,214,442	737,850	− 476,592
1925.			
January	1,276,068	695,657	− 580,411
February	1,070,805	629,843	− 440,962
March	1,036,895	708,115	− 328,780
April	1,006,948	670,047	− 336,901

The foregoing figures must necessarily be studied with reserve. Not until November, 1924, were figures included from the occupied territories, and in that month they were only partially complete. It is difficult to estimate what corrections should be made on this account, but it is probable that the published figures for

these months tend to show a somewhat larger excess of imports than the facts actually warrant. There may be other errors and omissions that would require further correction of the figures. The reported figures for exports, moreover, do not include exports in the form of deliveries in kind on reparation account, the value of which during the past six or eight months has been about 35 million reichsmarks a month.

But after making all possible allowances it appears that the foreign trade of Germany since stabilisation has on the whole been heavily adverse. The period, of course, has been exceptional. For four months out of the eighteen the published figures show a favourable balance. November and December of 1923 covered the first weeks of stabilisation of the currency. July and August of 1924 were months when all kinds of imports had to be reduced owing to the active credit restriction policy which had begun to be effective some months earlier. The favourable balances in these months were quite as much the result of disordered conditions in trade as were the unfavourable balances in other months.

The passing of the inflation period left German mercantile establishments bare of goods and made re-stocking necessary before factories and shops could return to a normal basis. Coupled with this demand for imported goods was the demand arising from a gradually increasing purchasing power on the part of the people, which developed as credit conditions began to improve. Foreign products to which there had been little access for ten years again came within reach. This double demand had its effect upon the import balance, particularly when, as was the case after the placing of the German External Loan, large foreign credits were granted for German account. To some extent, moreover, it is probably true that these foreign credits have been misused for consumptive purposes, instead of being devoted to the rebuilding of working capital and the development of production.

During most of the period Germany was subject under the Treaty to various disabilities which did not terminate until January 10, 1925. For example until that date Germany was obliged to exempt from all import duties specified amounts of product originating in Alsace-Lorraine, Luxemburg and the Saar. Moreover, it was only then that Germany was relieved from granting to the Allied Powers the most-favoured-nation treatment. As January 10th approached there was a growing expectation that she would increase her tariffs, and imports were correspondingly stimulated, thus accounting in part for the high figures reached in that month.

Exports, however, have been moving abroad with remarkable consistency during the first four months of 1925. The average daily value has shown little change, whereas for three months the average daily imports progressively declined and in the fourth month remained about stationary. Imports in March were some 12 per cent a day less than in February when, in turn, the daily average was 7 per cent less than in January. In all five months since December, goods classified as raw materials and semi-manufactured products composed more than half of the total volume of imports, as appears in the following table.

IMPORTS.

(In 1,000 of R. M.)

GROUPS.	APRIL 1925.	MARCH 1925.	FEBRUARY 1925.	JANUARY 1925.	DECEMBER 1924.
Livestock	11,900	7,214	6,145	7,050	8,264
Foodstuffs and beverages	293,072	295,301	318,339	344,986	381,584
Raw and semi-manufactured products	541,631	570,251	583,517	674,169	594,300
Finished products	160,345	164,129	162,804	249,863	230,294
TOTAL	1,006,948	1,036,895	1,070,805	1,276,068	1,214,442
Gold and silver	73,991	73,639	52,807	89,611	94,240
GRAND TOTAL	1,080,939	1,110,534	1,123,612	1,365,679	1,308,682

EXPORTS.

(In 1,000 of R. M.)

GROUPS.	APRIL 1925.	MARCH 1925.	FEBRUARY 1925.	JANUARY 1925.	DECEMBER 1924.
Livestock	2,030	1,643	1,688	2,338	2,715
Foodstuffs and beverages	43,330	51,126	47,791	47,741	58,969
Raws and semi-manufactured products	113,330	122,297	99,538	129,695	119,441
Finished products	511,357	533,049	480,826	515,883	556,725
TOTAL	670,047	708,115	629,843	695,657	737,850
Gold and silver	2,329	3,056	1,574	1,788	1,351
GRAND TOTAL	672,376	711,171	631,417	697,445	739,201

Experience up to this time emphasises the importance of further analysis of the movements of both imports and exports. Much will depend on the extent to which it proves possible to restrict unnecessary imports, and upon the progress which Germany is able to make in re-establishing commercial relations and developing foreign markets. It is to be hoped that the experience of the next few months will throw a much clearer light on the factors which are operating in this whole field and on the results which may be expected in the future.

b. *Commodity Prices.*

Wholesale prices of commodities in Germany since the beginning of 1924 have had three main movements : first, a marked decline in May and June, 1924, which coincided with the vigorous restrictions of credit; second, an almost equally marked rise, which with some interruption was prolonged into January, 1925; and third, a moderate decline to May, 1925, the further course of which is not yet apparent.

These movements are shown below in the index figures of the Reich Statistical Office, covering 38 basic commodities. This index has remained consistently the

lowest of the important indexes of German wholesale prices, but in general the direction of the main price movements registered in all of them has coincided. The second set of index figures for German prices given below was prepared by the Economic Service of the Transfer Committee for purposes of international comparison. Given in relation with it are two indexes prepared by the Federal Reserve Bank of New York covering price movements of 20 basic commodities in Great Britain and the United States.

LAST WEEK OF EACH MONTH.	GERMAN PRICES.		BRITISH PRICES.	AMERICAN PRICES.
	STATISTICAL OFFICE of the Reich.	ECONOMIC SERVICE Transfer Committee.	FEDERAL RESERVE BANK OF NEW YORK.	FEDERAL RESERVE BANK OF NEW YORK.
	(Average 1913 = 100).			
January, 1924	115	131	160	150
February, 1924	118	133	164	152
March, 1924	121	133	155	148
April, 1924	125	134	153	146
May, 1924	120	128	149	145
June, 1924	113	119	147	143
July, 1924	119	122	152	151
August, 1924	121	130	155	145
September, 1924	132	138	156	145
October, 1924	129	136	160	143
November, 1924	129	139	157	148
December, 1924	134	144	160	156
January, 1925	140	149	156	158
February, 1925	137	145	154	161
March, 1925	133	144	150	155
April, 1925	131	138	146	149

While the composition of the three basic commodity price indexes has been adjusted so as to take into account special conditions in the markets of the three countries to which they refer, they are generally comparable. Each covers twenty basic commodities which are readily marketable and are peculiarly responsive to price movements. It will be observed that the sharp fall and rise in prices in Germany in the spring and summer of 1924 had only partial reflection in the other two indexes, showing that the credit conditions associated with it were limited largely to Germany. Since October, 1924, the German index has moved more intimately with the other two, at first following closely the price movements in the United States and then following equally closely the price movements in Great Britain.

c. *Unemployment.*

Unemployment in Germany, as shown in the reported number of unemployed persons receiving public assistance, was much lower during the winter of 1924-25 than in the corresponding season of the previous year. In February, 1925, when unemployment was at the maximum for the season, persons out of work and receiv-

ing assistance were only about a third as numerous as in February, 1924. After February 1925, the number steadily decreased, and by May 1, was lower than at any time since last summer. The decline in the last two weeks of April was 18 per cent, to 321,000, against a decline of 16 per cent in the first two weeks of April and a decline of 10 per cent in the preceding half-month. The reduction in unemployment at this period has doubtless been due in large measure to a seasonal increase in the demand for labour.

The figures for recent months are as follows :

DATE.	NO. of UNEMPLOYED PERSONS RECEIVING PUBLIC ASSISTANCE.	PER CENT CHANGE FROM PRECEDING PERIOD.
September 1, 1924	588,500	–
October 1, 1924	513,500	– 12.7
November 1, 1924	435,300	– 15.2
December 1, 1924	436,600	+ 0.3
January 1, 1925	535,500	+ 22.7
January 15, 1925	586,700	+ 9.6
February 1, 1925	593,000	+ 1.1
February 15, 1925	575,200	– 3.0
March 1, 1925	540,500	– 6.0
March 15, 1925	514,600	– 4.8
April 1, 1925	465,800	– 9.5
April 15, 1925	393,300	– 15.6
May 1, 1925	320,800	– 18.4

d. *Railway Transport.*

In volume of goods shipped the German railways appear from the available figures to be carrying a considerably smaller traffic than in 1913. But longer hauls have been the rule and appear to have compensated for the smaller shipments. Figures for 1913 are for the German State Railways excluding operations in the whole of the territory ceded by Germany. The following table shows for 1924 only the last two months, inasmuch as prior to that time figures were incomplete owing to the occupation of the Ruhr.

DATE.	VOLUME OF SHIPMENTS (1000 of metric tons).	LOADED TON-KILOMETRES (millions).
1913, Monthly average	42,130	4,369
November, 1924	29,430	4,607
December, 1924	29,590	4,598
January, 1925	30,526	4,880
February, 1925	29,600	4,714

Supplementing the table given above, figures are available showing the daily average number of cars loaded week by week since December 1, 1924. There appear to be no pre-war figures with which these are comparable. Car loadings are calculated on the basis of 10-ton units.

WEEK ENDED.	DAILY AVERAGE number of cars loaded.	WEEK ENDED.	DAILY AVERAGE number of cars loaded.
December 7, 1924	154,981	February 22, 1925	144,218
December 14, 1924	147,637	March 1, 1925	145,560
December 21, 1924	148,721	March 8, 1925	146,032
December 28, 1924	144,174	March 15, 1925	144,460
January 4, 1925	133,023	March 22, 1925	138,596
January 11, 1925	137,322	March, 29, 1925	143,866
January 18, 1925	138,628	April 5, 1925	143,423
January 25, 1925	140,844	April 12, 1925	145,577
February 1, 1925	141,481	April 19, 1925	145,760
February 8, 1925	141,023	April 26, 1925	142,434
February 15, 1925	143,809	May 3, 1925	145,708
Daily average December 1 to May 3			143,513

Fuller statistics regarding railway traffic will no doubt be made available in the report of the Railway Company for the first year of its operations.

X. CONCLUSIONS.

This review of the German budget and currency, and of various other phases of the readjustment, is sufficient to show that much has been accomplished. Much, however, remains to be done. It is not a simple matter to recover from such a period of disorganization as Germany was experiencing but little more than a year ago, and there are many situations still to be liquidated and many unnatural conditions still to be remedied before real stability can be said to have been achieved.

The Plan has realized its two essential preliminary objects. The German budget for the financial year 1924-25 has shown a safe balance. In fact, it has yielded a surplus of receipts over expenditures, which has enabled the German Government to liquidate many outstanding liabilities and should provide a helpful cash reserve for the future. Germany has also succeeded in providing and maintaining a stable currency. Measured in terms of its exchange value in foreign markets, the reichsmark has remained firm as the equivalent of gold; measured in terms of internal purchasing power, it has varied in recent months only within limits practically identical with those of other stable currencies.

From the point of view of reparations, these developments are of paramount importance. The experts themselves emphasized that their Plan was drawn "without ever losing sight of the fact that the stabilization of the currency and the balancing of

the budget are means designed to enable Germany to satisfy her own essential requirements and to meet her Treaty commitments, the fulfilment of which is so vital to the reconstruction of Western Europe". Elsewhere they pointed out that in their view "the reconstruction of Germany is not an end in itself. It is only part of the larger problem of the reconstruction of Europe." It was necessary first of all to restore confidence, and it was the view of the Experts that the essential condition of the performance by Germany of her obligations was the stabilization of both her budget and her currency.

The results achieved in these directions do not by themselves mark a final readjustment. They are rather the starting points from which readjustment must proceed. Current developments now as later must be estimated in terms of this process. In industry, for example, Germany is well equipped, and has resources for production on a large scale. But there is still a serious shortage of working capital, and it will take time to build up foreign markets. German industry, moreover, must now produce and sell under stable conditions, and it is finding that this presents rather different problems than doing business under conditions of inflation. In the field of credit and banking there remains the task of gradually restoring the fund of savings which is needed to finance domestic business and industry. The main reliance in the long run must be on the growth of domestic capital, and there are already encouraging signs of the return of habits of saving. From the point of view of the banks there is the problem of broadening the base of credit which was so greatly narrowed by inflation, and of determining how to adjust the present supply to the more essential demands. It will take real leadership and a general willingness to face facts as they are to work out these various problems to solution.

The Experts' Plan proposed in effect an international experiment in goodwill. It aimed to remove from the field of controversy a subject which after all is largely economic in character and to give a fair trial to methods of patient inquiry and quiet administration. In carrying it out, the Allied Governments, the German Government and all the agencies concerned in its execution have worked together loyally, and in the spirit of friendly accommodation which was the basis of the Plan. Its further progress will mainly depend upon the continuance of that mutual faith and confidence which have made possible a satisfactory beginning.

Respectfully,

S. PARKER GILBERT,

Agent General for Reparation Payments

EXHIBIT I.

OFFICE FOR REPARATION PAYMENTS.

33 Luisenstrasse, BERLIN.

SUMMARY OF PERSONNEL — MAY 1, 1925.

OFFICE.	NATIONALITY.						
	AMERICAN.	FRENCH.	BRITISH.	ITALIAN.	BELGIAN.	DUTCH.	TOTAL (1).
THE AGENT GENERAL FOR REPARATION PAYMENTS	1	–	–	–	–	–	
Assistants and Staff	4	1	–	–	–	–	6
THE COMMISSIONER OF THE REICHSBANK	–	–	–	–	–	1	
Assistants and Staff	–	–	–	–	–	8 (*)	9
THE COMMISSIONER FOR THE GERMAN RAILWAYS	–	1	–	–	–	–	
Assistants and Staff	–	4	–	1	1	–	7
THE COMMISSIONER OF CONTROLLED REVENUES	–	–	1	–	–	–	
Assistants and Staff	–	1	2	1	1	–	6
THE TRUSTEE FOR THE GERMAN RAILWAY BONDS	–	–	–	–	1	–	1
THE TRUSTEE FOR THE GERMAN INDUSTRIAL DEBENTURES	–	–	–	1	–	–	
Director of office and Staff	–	1	–	4	–	–	6
THE TRANSFER COMMITTEE	2	1	1	1	1	–	
Economic Advisers	1	1	–	1	1	–	
Other Staff	–	7	–	1	1	–	18
LEGAL ADVISER AND PARIS REPRESENTATIVE (2)	1	–	–	–	–	–	
Secretary and Staff	2	1	1	–	–	–	5
ADMINISTRATIVE SERVICES	–	–	–	–	–	–	
General Secretary and Staff	–	1	2	1	1	–	5
Chief Accountant and Staff	2	4	9	4	2	–	21
Translators	–	3	6	–	–	–	9
Private Secretaries, Registry and Filing staff, Clerks, Stenographers, and Typists	2	12	21	–	1	–	36
TOTAL PERSONNEL (1)	14	38	43	15	10	9	129
Of which the salaries and the costs are chargeable against :							
The Annuity 113							
The Reichsbank 9							
The German Railways 7							129

(1) The totals are adjusted to avoid duplication within the groups.
(2) Paris Office address : 18, rue de Tilsitt.
(*) Of whom three are temporary.

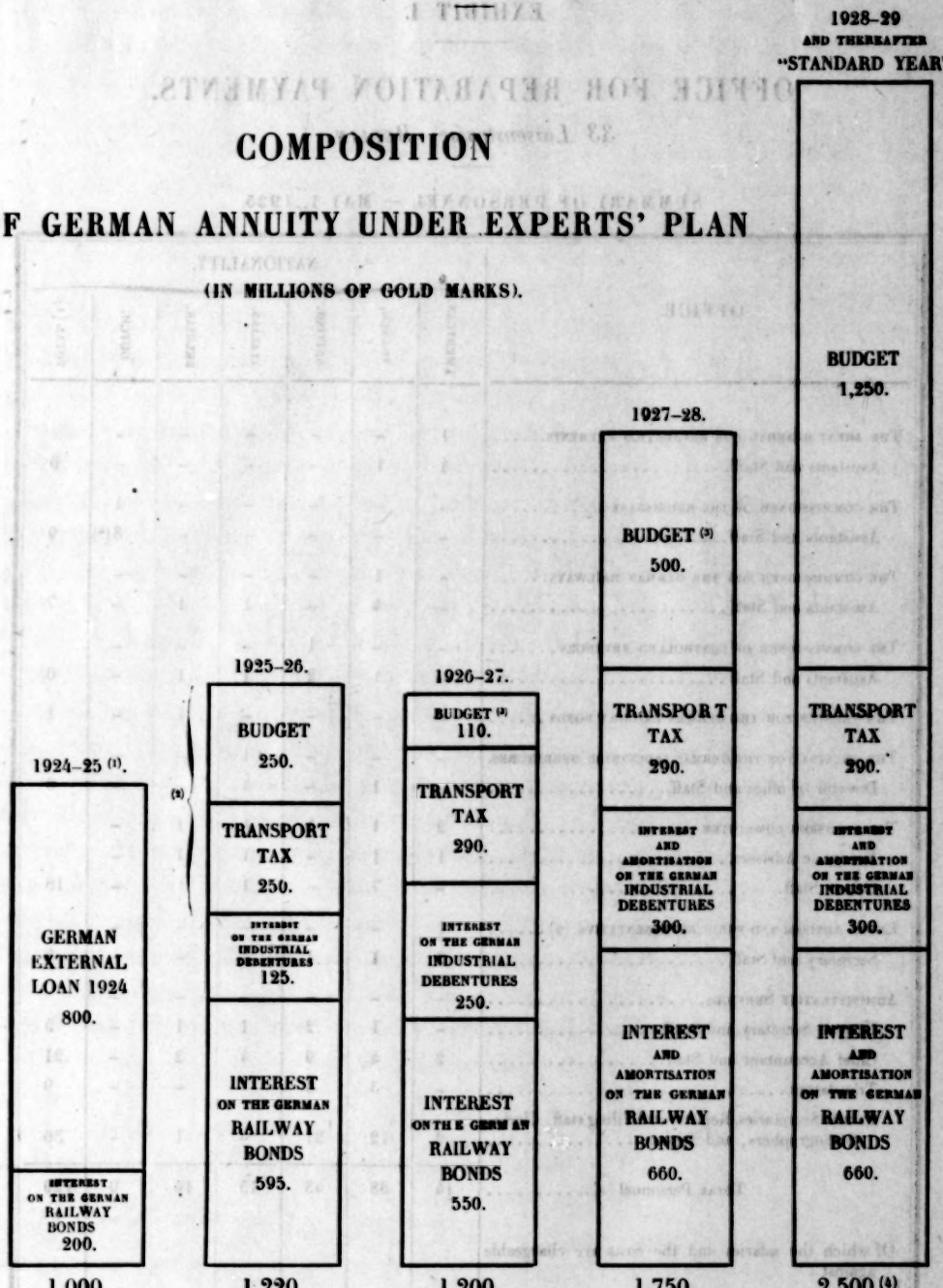
NOTE. — The foregoing is exclusive of German minor staff employed for upkeep of building, messenger service, etc.

EXHIBIT II.

COMPOSITION

OF GERMAN ANNUITY UNDER EXPERTS' PLAN

(IN MILLIONS OF GOLD MARKS).



(1) Annuity year. — September 1st to August 31st.

(2) This involves a possible charge on the budget, though the Experts' Plan assumes that before the end of the year 1925-26 the German Government will be in effective possession of 500,000,000 gold marks (a sum equivalent to these two payments) as its share (one quarter) of the proceeds of the sale to the public of the preference shares of the German Railway Company.

(3) Subject to modification, to an extent not exceeding 250,000,000 gold marks, according as aggregate yield of the controlled revenues exceeds or falls short of 1,000,000,000 gold marks in 1926-27 or 1,250,000,000 gold marks in 1927-28, the modification to be 1/3 of the excess or deficit as the case may be, all as provided in the Plan.

(4) Subject to increase, as from 1929-30 onwards, depending on the index of prosperity described in the Plan.

EXHIBIT III.

APPROXIMATE DISTRIBUTION OF FIRST ANNUITY. — TOTAL SHARES OF POWERS

(In thousands of Gold Marks.)

	ARMY COSTS		BELGIAN WAR DEBT.	RESTITUTION.	AMERICAN CLAIMS.	REPARATIONS.	TOTAL SHARE.
	ARREARS	CURRENT					
1. America	–	–	–	–	15,308	–	15,308
2. France	6,413	110,000	16,647	5,154	–	345,825	484,039 (1)
3. Great Britain	4,837	25,000	15,199	53	–	146,311	191,400
4. Italy	–	–	–	48	–	66,505	66,553
5. Belgium	–	25,000	4,343	1,737	–	53,204	84,284 (1)
6. Japan	–	–	–	–	–	4,988	4,988
7. Poland	–	–	–	73	–	–	73
8. Portugal	–	–	–	–	–	4,988	4,988
9. Roumania	–	–	–	125	–	7,316	7,441
10. Serb-Croat-Slovene State	–	–	–	48	–	33,252	33,300
11. Greece	–	–	–	–	–	2,660	2,660
	11,250	160,000	36,189	7,238	15,308	665,049	895,034

Service of Loan	77,500
Costs of Commissions	27,250
Danube Commission	216
	1,000,000

(1) By agreement between the Belgian and French Governments a portion of the total share accruing to the latter, and amounting to 30,000,000 gold marks, will be made available to the former.

EXHIBIT IV.

STATEMENT OF RECEIPTS AND PAYMENTS UNDI

ENDED APRI

(ON CASH BASIS, REDUCED TO GOL

A. RECEIPTS.	SEPTEMBER 1924.	OCTOBER 1924.	NOVEMBER 1924.	DECEM
	Gold Marks.	Gold Marks.	Gold Marks.	Gol
1. Advances made by the German Government during the transition period and until the proceeds of the German External Loan 1924 became available which were subsequently reimbursed to the German Government from those proceeds	83,504,877.83	84,173,584.49	47,156,455.42	
2. Cash withdrawn from proceeds of Loan, in addition to amount required to repay advances under Item 1 above	–	–	14,928,314.23	51,3
3. Cash received from Deutsche Reichsbahngesellschaft. Interest on Reparations Bonds for half-year to February 28, 1925	–	–	–	
4. Interest received	–	–	20,208.52	
5. Gain in Exchange	4,729.67	29,385.02	Dr. 197,875.67	1
TOTAL RECEIPTS	83,509,607.50	84,202,969.51	61,907,102.50	51,4

IV.

UNDER THE ANNUITY FOR THE 8 MONTHS

APRIL 30, 1925.

TO GOLD MARK EQUIVALENTS.)

DECEMBER 1924.	JANUARY 1925.	FEBRUARY 1925.	MARCH 1925.	APRIL 1925.	FIRST ANNUITY YEAR CUMULATIVE TOTAL to April 30, 1925.
Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.
–	–	–	–	–	214,834,917.74
51,340,345.99	104,087,937.33	84,491,163.04	–	59,880,100.37	314,727,860.96
–	–	100,000,000.00	–	–	100,000,000.00
4,382.54	–	–	427.36	–	25,018.42
112,155.39	Dr. 6,744.72	100,390.16	169,784.84	48,919.19	260,743.88
51,456,883.92	104,081,192.61	184,591,553.20	170,212.20	59,929,019.56	629,848,541.00

B. — PAYMENTS.	SEPTEMBER 1924.	OCTOBER 1924.	NOVEMBER 1924.
	Gold Marks.	Gold Marks.	Gold Marks.
1. Payments to or for the account of :			
a) **France.**			
1. Deliveries of coal, coke, lignite and by-products and exploitation of mine and cokeries by Régie	9,452,519.62	14,173,457.55	2,801,048.29
Deliveries of Chemical Fertilisers	–	584,718.00	306,866.43
— Dyestuffs and Pharmaceutical Products	–	781,179.65	1,129,708.50
— Miscellaneous material	–	–	–
2. Transport (substantially all within Germany) of coal, coke, lignite and by-products	–	5,747,936.74	9,318,614.73
3. Reparation Recovery Act	–	515,000.00	1,228,329.55
4. Marks supplied to Army of Occupation	4,046,000.00	4,046,000.00	3,955,065.69
5. Requisitions, damages and furnishings under Articles 6 and 8–12 of Rhineland Agreement	7,369,200.00	7,417,500.00	7,417,500.00
6. Furnishings in the Ruhr	3,750,000.00	3,750,000.00	3,750,000.00
	24,617,719.62	37,015,791.94	29,997,133.19
b) **Great Britain.**			
1. Deliveries of dyestuffs and Pharmaceutical Products	–	2,138,486.23	583,006.32
2. Reparation Recovery Act	11,235,747.68	18,520,000.00	17,522,240.75
3. Marks supplied to Army of Occupation	1,100,000.00	1,100,000.00	1,293,385.59
4. Requisitions, damages and furnishings under Articles 6 and 8–12 of Rhineland Agreement	1,922,400.00	1,935,000.00	1,935,000.00
	14,258,147.68	23,693,486.23	21,333,632.66
c) **Italy.**			
1. Deliveries of Coal and Coke	4,383,348.15	3,519,268.54	2,412,884.45
— Dyestuffs and Pharmaceutical Products	–	2,242,805.98	1,241,986.67
— Miscellaneous material	–	–	–
2. Transport (substantially all within Germany) of coal and coke	–	3,197,907.37	1,894,213.61
	4,383,348.15	8,959,981.89	5,549,084.73

DECEMBER 1924.	JANUARY 1925.	FEBRUARY 1925.	MARCH 1925.	APRIL 1925.	FIRST ANNUITY YEAR CUMULATIVE TOTAL to April 30, 1925.
Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.
7,877,919.96	20,923,869.14	10,281,718.81	15,017,074.51	9,316,694.36	89,844,302.24
2,176,033.02	3,203,450.32	3,204,198.23	2,446,636.40	1,530,084.05	13,451,986.45
436,325.89	670,907.31	573,879.77	718,465.21	735,778.97	5,046,305.30
–	810,651.41	–	1,006,277.17	1,669,772.33	3,486,700.91
3,788,474.14	4,174,994.35	5,218,797.93	3,682,808.31	3,688,929.50	35,620,555.70
178,955.37	1,857,552.89	2,515,846.64	3,155,413.33	2,717,663.74	12,168,761.52
2,617,662.37	65,751.73	2,454,951.32	1,524,258.96	2,365,657.78	21,075,347.85
4,945,000.00	10,910,222.33	8,165,000.00	7,076,333.33	6,897,111.67	60,197,867.33
–	5,555,555.55	3,333,333.33	3,333,333.34	3,333,333.33	26,805,555.55
22,020,370.75	48,173,015.03	35,747,726.03	37,960,600.56	32,255,025.73	267,697,382.85
332,882.28	453,559.19	700,006.02	184,922.08	155,415.95	4,548,278.07
4,198,100.59	16,067,357.58	18,257,045.24	18,111,635.99	16,449,170.93	120,361,298.76
757,086.53	782,956.51	840,027.32	1,669,209.63	2,184,661.98	9,727,327.56
1,290,000.00	1,943,430.33	1,937,000.00	1,678,733.33	1,451,380.67	14,092,944.33
6,578,069.40	19,247,303.61	21,734,078.58	21,644,501.03	20,240,629.53	148,729,848.72
3,036,273.66	6,641,156.85	1,998,207.58	1,767,822.47	2,343,209.35	26,102,171.05
386,541.97	697,263.18	1,494,851.47	1,272,912.12	798,617.62	8,134,979.01
–	–	691,582.63	402,658.62	1,702.67	1,095,943.92
1,207,864.56	1,620,518.28	525,901.58	506,506.21	358,785.54	9,311,697.15
4,630,680.19	8,958,938.31	4,710,543.26	3,949,899.42	3,502,315.18	44,644,791.13

B. — PAYMENTS.	SEPTEMBER 1924.	OCTOBER 1924.	NOVEMBER 1924.	DEC
	Gold marks.	Gold Marks.	Gold Marks.	
d) Belgium.				
1. Deliveries of Coal, Coke and Lignite	4,157,432.12	4,774,710.87	727,725.00	
——— dyestuffs and Pharmaceutical products	–	1,314,144.15	1,164,778.11	
——— miscellaneous materials	–	291,495.80	155,514.91	
2. Transport (substantially all within Germany) of Coal, Coke and Lignite	–	1,286,134.81	1,627,390.37	
3. Restoration of Library of Louvain	–	100,000.00	99,217.89	
4. Reichsmarks supplied to Army of Occupation	260,000.00	260,000.00	378,113.93	
5. Requisitions, damages and furnishings under Arts. 6 and 8-12 of Rhineland Agreement	1,388,400.00	1,397,500.00	1,397,500.00	
6. Furnishings in the Ruhr	750,000.00	750,000.00	750,000.00	
	6,555,832.12	10,173,985.63	6,300,240.21	
e) Japan. — Deliveries of dyestuffs	–	2,237.25	771,101.52	
f) Serb-Croat-Slovene State. — Miscellaneous deliveries	–	3,375,000.50	2,791,046.23	
g) Portugal. — Miscellaneous deliveries	–	506,250.00	11,523.90	
h) Roumania. — Miscellaneous deliveries	–	742,500.00	619,030.66	
i) Greece. — Miscellaneous deliveries	–	269,953.30	Cr. 229.95	
2. Payments for the expenses of the Interallied Commissions:				
a) Reparation Commission	1,162,984.15	585,006.75	666,736.96	
b) Rhineland High Commission	1,250,000.00	1,250,000.00	250000.00	
c) Military Commission of Control	1,000,000.00	1,000,000.00	1,000,000.00	
d) Naval Commission of Control	70,000.00	–	–	
3. Service of German External Loan 1924	–	–	7,288,523.95	
4. Payments on account of cost of administration of Office for Reparation Payments	82,189.40	125,016.98	158,926.10	
TOTAL PAYMENTS	53,380,221.12	87,699,210.47	77,646,750.16	
Balance of Cash as at April 30, 1925				

DECEMBER 1924.	JANUARY 1925.	FEBRUARY 1925.	MARCH 1925.	APRIL 1925.	FIRST ANNUITY YEAR CUMULATIVE TOTAL to April 30, 1925.
Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.	Gold Marks.
4,251,734.67	4,889,557.11	1,304,226.07	6,181,622.01	3,860,839.66	30,147,847.51
374,943.04	270,422.21	82,443.01	202,241.90	57,074.36	3,466,046.78
74,337.65	454,057.78	1,286,300.65	2,422,115.01	1,463,132.43	6,146,954.23
784,735.91	897,859.17	1,250,406.77	1,355,491.17	957,562.08	8,159,580.28
99,159.82	99,049.82	99,070.62	99,964.31	99,962.31	696,424.77
196,413.95	111,369.14	203,043.78	382,608.51	219,001.90	2,010,551.21
931,666.67	1,493,040.67	1,418,000.00	1,228,933.34	659,137.33	9,914,178.01
–	1,111,111.11	666,666.67	666,666.66	666,666.67	5,361,111.11
6,712,991.71	9,326,467.01	6,310,157.57	12,539,642.91	7,983,376.74	65,902,693.90
117,822.19	399,297.57	633,295.59	594,567.23	1,134,427.39	3,652,748.74
3,689,653.27	2,076,762.24	3,006,987.33	2,381,149.21	2,311,556.05	19,632,154.83
977,678.34	724,894.84	378,127.75	299,934.03	392,977.92	3,291,386.78
1,105,250.83	340,714.99	479,260.33	579,656.10	980,141.62	4,846,554.53
–	684,122.70	232,994.19	5,123.36	629,077.57	1,821,041.17
526,366.92	355,544.99	259,953.11	255,176.61	450,609.51	4,262,379.00
833,333.33	Cr. 2,346,693.33	480,000.00	416,000.00	2,392,370.33	5,525,010.33
1,666,666.67	1,333,333.33	–	500,000.00	500,000.00	7,000,000.00
–	–	–	–	–	70,000.00
7,243,975.46	7,300,504.19	7,297,087.44	10,164,566.76	2,282,003.80	41,576,661.60
275,490.40	293,912.61	291,864.10	400,266.25	409,100.00	2,036,765.84
56,378,349.46	96,868,118.09	81,562,075.28	91,691,083.47	75,463,611.37	620,689,419.42
					9,159,121.58
					629,848,541.00

NOTES.

1. Section A. — **Receipts Item 1.** — In the amount here shewn, there is included a sum of 26,539,839.89 Gold Marks, consisting of 29,873,173.22 Gold Marks gross receipts from collections and charges levied in Occupied Territory less 3,333,333.33 Gold Marks deducted provisionally by the French and Belgian Governments to cover their costs of collection.

2. Section B. — **Payments Items 1 (*a*) 2 and 1 (*b*) 3.** — The amounts shewn in respect of the Reparation Recovery Acts for periods prior to December 1924 are certified or estimated by the British and French Governments as representing the sums collected by them. For subsequent periods, the amounts shewn represent the reimbursement to the German Government of the sums paid to German Exporters in respect of vouchers issued by the British and French Governments after November 30, 1924.

3. Section B. — **Payments Items 1 (*a*) 4, 1 (*b*) 5, 1 (*d*) 5 and 2 (*b*), (*c*) and (*d*).** — The amounts included in respect of Requisitions, damages and furnishings under Arts. 6 and 8–12 of the Rhineland Agreement and for the Rhineland High Commission and Commissions of Control are provisional, being based, for the period to the end of December 1924, on estimates agreed by the Allied and German Governments and, for subsequent periods, on information furnished by those Governments. The distribution of the total amount to the Powers and Commissions concerned has been made provisionally on the basis of information furnished by the German Government. During the months of January and April, the German Government provided further information regarding this distribution and in each of those months an adjustment was made retrospectively from September 1, 1924.

4. Section B. — **Payments Items 1 (*b*) 6 and 1 (*d*) 6.** — The amounts shewn in respect of Furnishings in the Ruhr are provisional, being based on estimates furnished by the French, Belgian and German Governments.

5. Section B. — **Payments Item 3.** — It should be observed that the payment in respect of interest for the month ended April 15, 1925, was made 15 days in advance, *i. e.*, on March 31, in accordance with the terms of the General Bond.